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U.S. Department of Transportation

National Highway Traffic Safety Administration

Memorandum

NHTSA-01-10902-1

Subject: **ACTION**: Submittal to the Docket No.: NHTSA-99-001; Notice 4, Notice of Availability of CY 1996 Annual Insurer Reports and Information under 49 U.S.C. Section 33112(c)

Date: DEC 11

From: Noble Bowie
Noble Bowie, Director
Office of Planning and Consumer Programs

Reply to Attn. of:

To:
U.S. Department of Transportation Dockets

THRU: John Womack
John Womack,
Acting Chief Counsel

This memorandum is to inform you that this office will be using the assigned DOT Docket Number: NHTSA-01-10902 to announce the availability of non-scannable information pursuant to the annual Insurer Reporting Requirements of 49 U.S.C. Section 33112(c) for calendar year (CY) 1996. Interested persons may obtain a copy of this report with appendices by contacting the NHTSA Docket Section, Room 5109, 400 Seventh Street, S.W., Washington, DC 20590. Requests should refer to Docket No. 99-001; Notice 04.

AVAILABILITY OF NON-SCANNABLE ITEMS

NHTSA-01-10902

Docket/Docket Number

Old Docket Number, if any

Annual Insurer Reports and Information under 49 U.S.C. 33112(c)

for Calendar Years (CY) 1996

Name/Description of Non-scannable Item(s)

MAY BE VIEWED IN NHTSA Docket Section, Room 5109, 400 Seventh Street, S.W., Washington, DC 20590. Requests for non-scannable information should refer to Docket No.: 99-001; Notice 04

Agency/Office Name/Room Number/Contact Person (if any)

during the hours of 9:30 am - 4:00 pm M-F.

KLD ASSOCIATES, INC.

INNOVATION IN TRANSPORTATION

Analysis of Insurer Reports Received Pursuant to Section 33112 of the Title 49 of the United States Code

1996 Reporting Period

Annual Report

Prepared for

National Highway Traffic Safety Administration
Washington, D.C. 20590

Under Contract DTNH22-95-C-02029

Prepared by

KLD Associates, Inc.
300 Broadway
Huntington Station, NY 11746

November 2001 ***TR-351***

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EXECUTIVE SUMMARY

During the period from about 1960 to 1980, a growing market for stolen automotive parts had led to a substantial increase in the number of vehicles which were stolen and dismantled for their parts. To address this problem, Congress enacted the Motor Vehicle Theft Law Enforcement Act of 1984 (Public Law 98-547).

This legislation added a new Title VI to the Motor Vehicle Information and Cost Savings Act which required automobile manufacturers and manufacturers of replacement parts to affix or inscribe a unique identification number on major vehicle components. This parts-marking requirement has been in effect since model year 1987 and applies to designated car lines with high theft rates. In 1994, Congress repealed the Motor Vehicle Information Cost Savings Act and recodified it as Chapter 331 of Title 49 of the United States Code. All legislative section references used in this report correspond to the sections of this new legislation.

The marking of parts is intended to facilitate law enforcement efforts to trace and recover stolen vehicles and parts as well as arrest and prosecute the criminals responsible. The increased likelihood of arrest and punishment is also meant to serve as a deterrent to auto thieves.

The legislation also requires the Department of Transportation to evaluate the effectiveness of the parts-marking program and to provide information to the public, the law enforcement community and the Congress on the thefts and recoveries of motor vehicles. To support this effort, the legislation also requires larger insurance, rental and leasing companies to submit annual reports to the Department of Transportation. These reports include information on the theft and recovery of vehicles; ratings, rules and plans used by insurers to reduce premiums due to a reduction in motor vehicle thefts; and actions taken by insurers to assist in deterring thefts.

Reports were submitted by 21 insurance companies and 7 rental and leasing companies for the 1996 reporting period. Vehicle theft and recovery data was received from the Insurance Services Office (ISO) for some of the insurers. These 21 insurance companies reported that:

- Approximately 435,200 claims were filed during 1996 as a result of motor vehicle theft.
- These claims resulted in insurer payments to policyholders in excess of $1.42 billion.
- Information furnished by the ISO for some of the insurers indicated that approximately 106,000 model year 1993-1997 vehicles insured by these companies, were stolen during 1996. Approximately 20,500 vehicles or 19 percent of the stolen vehicles were recovered during 1996.

These 106,000 vehicle thefts are a subset of the 435,200 claims for theft of any model year vehicle and theft of contents estimated from 21 insurers.

The information obtained shows that motor vehicle theft continues to be a major cause of insurer comprehensive losses in 1996. Eighty-one percent of stolen vehicles were either not recovered in 1996 or were recovered with major vehicle components missing.

Most insurers reported that they do not assess any surcharge or premium penalty to insure vehicles with high theft rates. Many companies indicated that their existing rating procedures would generate lower rates for all passenger cars in a rating territory when <u>total</u> comprehensive losses or combined comprehensive and collision losses are reduced for the territory. Thus, while parts marking offers the potential to reduce insurer theft losses, resulting rate reductions would not often be targeted solely to the lines responsible. Thus, benefits of the marking program can be expected to be dispersed to provide lower insurance premiums for lines both with and without marked parts.

TABLE OF CONTENTS

TABLE OF CONTENTS (cont.)

TABLE OF CONTENTS (cont.)

LIST OF TABLES

LIST OF TABLES

1. INTRODUCTION

This report was prepared by KLD Associates, Inc. for the National Highway Traffic Safety Administration (NHTSA) under Contract DTNH22-95-C-02029, for the 1996 insurer reporting period.

This work was performed as part of NHTSA's continuing annual effort to present information to the public, law enforcement community and the Congress pertaining to thefts and recoveries of insured motor vehicles and the premiums charged for comprehensive coverage. This information is intended to assist efforts to alleviate the nationwide problem of motor vehicle theft and to provide information to assist in evaluating the effectiveness of the theft deterrent provisions of Chapter 331 of Title 49 of the United States Code (USC).

The information contained herein was furnished by insurance, rental and leasing companies through annual reports required by Section 33112 of Title 49. The information in this report covers the 1996 insurer reporting period. This information was analyzed, organized and documented for this report by KLD Associates, Inc.

1.1 Background

For a period of about twenty years (from about 1960 to 1980), the problem of automobile theft continued to increase and evolve from a problem of teenage joyriding to a highly professional adult crime. A growing market for stolen parts led to an increase in the number of vehicles which were stolen and dismantled for their parts. By the early 1980's, it was estimated that this problem cost Americans approximately four billion dollars annually (1).

To address this problem, Congress enacted the Motor Vehicle Theft Law Enforcement Act of 1984 (Public Law 98-547). This legislation added a new Title VI to the Motor Vehicle Information and Cost Savings Act which required the Department of Transportation to promulgate a Theft Prevention Standard for selected passenger cars exhibiting high theft rates. In 1994, Congress repealed the Motor Vehicle Information Cost Savings Act and recodified it as Chapter 331 of Title 49 of the United States Code. All legislative section references used in this report correspond to the sections of this new legislation.

The Theft Prevention Standard became effective in model year 1987 and requires automobile manufacturers and manufacturers of replacement parts to affix or inscribe a unique identification number on major vehicle components of designated car lines. This parts-marking is intended to facilitate law enforcement efforts to trace and recover stolen vehicles and parts as well as arrest and prosecute the criminals responsible. The increased likelihood of arrest and punishment is also meant to serve as a deterrent to auto thieves.

1.1.1 Legislative Requirements Affecting the Insurance Industry

Section 33112 of Title 49 also required the insurance industry to provide information to the Secretary of Transportation on an annual basis describing:

A) The theft and recovery (in whole or in part) of motor vehicles.

B) The number of vehicles which have been recovered intact.

C) The rating rules and plans, such as loss data and rating characteristics, used by insurers to establish premiums for comprehensive insurance coverage for motor vehicles. Also to be included is the basis for such premiums and premium penalties for those motor vehicles considered as more likely to be stolen.

D) The actions taken by insurers to reduce premiums including changes in rate levels for automobile comprehensive coverages due to a reduction in thefts of motor vehicles.

E) The actions taken by insurers to assist in deterring or reducing thefts of motor vehicles.

F) Other information as required by the Secretary of Transportation to administer this title and produce the report and findings required by this title.

1.1.2 Legislative Requirements Affecting the Department of Transportation

Title 49 requires the Department of Transportation to:

- Select the parts which are to be marked with the appropriate identification numbers by agreement between the Secretary of Transportation and the manufacturer.
- Select the high theft lines which are to be covered by the requirement by agreement between the Secretary of Transportation and the manufacturer.
- Establish the performance criteria for inscribing or affixing the appropriate identification numbers.
- Specify the manner and form for compliance certification and who will be authorized to certify compliance.
- Define specific annual insurer reporting requirements under Section 33112.
- Identify insurers and, rental and leasing companies subject to the annual reporting requirements and grant exemptions from these requirements to insurers and small rental

and leasing companies which qualify under provisions of Section 33112.

- Grant an exemption from the standard if a line of vehicles is manufactured with an anti-theft device which is determined by the department to most likely be as effective as the standard in deterring theft. (Section 33106)

1.2 Insurer Reporting Requirements

In January, 1987, the NHTSA promulgated a final rule (4) titled "Insurer Reporting Requirements" (49 CFR Part 544) which defined the specific insurer reporting requirements under the Motor Vehicle Information and Cost Savings Act and identified the insurers and rental and leasing companies subject to these requirements for the first reporting period. The information submitted by insurers under this rule was intended to aid NHTSA in its responsibility to publish insurance information in a form that would be helpful to the public, the law enforcement community and the Congress. These reporting requirements, which the reporting insurers continue to adhere to, provide the information necessary to meet the needs of Chapter 331 of Title 49.

The annual insurer reporting requirements specified in the final NHTSA rule are presented in Table 1. This table identifies the paragraph number of each requirement as specified in the final NHTSA rule and the appropriate sections of Chapter 331 of Title 49.

The first insurer reports were filed with the NHTSA Office of Safety Performance Standards in January, 1987. The subject insurers were required to report data beginning with calendar year 1985.

The NHTSA Office of Safety Performance Standards is responsible to ensure that materials in the annual insurer reports are thoroughly reviewed, analyzed and reported to the public. Information contained in the 1985-1995 insurer reports has been documented in eleven previous reports (2), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14). Information contained in the 1996 annual insurer submissions is included herein.

1.3 Organization of this Report

The information presented in this document is based upon the insurer and rental and leasing company reports submitted for calendar year 1996.

Section 2 of this report identifies the insurance and rental and leasing companies which submitted 1996 reports and the extent that required information was supplied.

Responses to each of the specific reporting requirements identified in Table 1, are discussed in Sections 3 through 7 of this report. Table 1 identifies the section of this report devoted to each reporting requirement.

Section 3 identifies the number of insured vehicles stolen and the number recovered during 1996. This section also discusses how insurers, and rental and leasing companies obtain the theft and recovery data submitted to the Department of Transportation for this report and how this information is used.

Section 4 discusses how insurers set rates for motor vehicle comprehensive coverage and how premium penalties are assessed for vehicles with high theft rates.

Section 5 indicates insurer losses for motor vehicle comprehensive coverage during 1996. Also described are insurance and rental and leasing company losses caused by motor vehicle theft.

Section 6 presents programs undertaken by insurers during 1996 to reduce comprehensive premiums.

Section 7 discusses actions taken by insurance and rental and leasing companies to encourage a reduction in motor vehicle theft.

Section 8 presents conclusions and recommendations for future efforts.

Section 9 presents a summary of annual reports since 1987.

Appendix A presents a tabulation of the aggregate number of passenger cars stolen and recovered during 1996 by make, line, model, model year and state based on data furnished by the Insurance Services Office (ISO) for reporting insurance companies.

Table 1. Insurer Reporting Requirements

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
1)	Total motor vehicle thefts and recoveries by model year, make, line, model, and state for each motor vehicle type. These recoveries are to be categorized as in-whole, in-part or intact.	Sec. 33112 (c), (A), (B)	(c)(1), (c)(2)	3.1
2)	Explanation of how theft and recovery data is obtained and steps taken to ensure its accuracy.	Sec. 3112 (c)(2)	(c)(3)	3.2
3)	Explanation of how theft and recovery data is used and reported to other organizations.	Sec. 33112 (c)(2)	(c)(4)	3.3
4)	The rating characteristics used by the insurer to establish the premiums it charges for comprehensive insurance coverage for this type of motor vehicle and the premium penalties for vehicles of this type considered by the insurer as more likely to be stolen.	Sec. 33112 (c) (C)	(d)(1)	4.2
5)	Total number of comprehensive claims paid by the insurer during the reporting period, and the total number that arose from a theft.	Sec. 33112 (c) (F)	(d)(2)(i), (d)(2)(ii)(A)	5.1
6)	The best estimate of the percentage of the number from (5) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c) (F)	(d)(2)(ii)(B)	5.2
7)	The total amount (in dollars) paid out during the reporting period in response to all comprehensive claims filed by its policyholders.	Sec. 33112 (c) (F)	(d)(2)(iii)	5.3

Table 1. Insurer Reporting Requirements (cont.)

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
8)	The total amount (in dollars) paid out by the insurer as a result of theft, the best estimate of the percentage of the dollar total listed in (7) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c) (C)	(d)(2)(iv)(A)(1), (d)(2)(iv)(A)(2)	5.4
9)	In the case of other insurers subject to the reporting requirements, the net losses suffered by the insurer (in dollars) as a result of vehicle theft.	Sec. 33112 (c) (C)	(d)(2)(iv)(B)	5.5
10)	The total amount (in dollars) recovered from the sale of recovered vehicles, major parts recovered not attached to the vehicle, or other recovered parts, after the insurer had made a payment.	Sec. 33112 (c) (F)	(d)(2)(v)(A)	5.6
11)	The insurer's best estimate of the percentage of the dollar total listed in (10) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c) (F)	(d)(2)(v)(B)	5.7
12)	Identity of the vehicles for which the insurer charges comprehensive insurance premium penalties, because the insurer considers such vehicles as more likely to be stolen.	Sec. 33112 (c) (C)	(d)(2)(vi)	4.5
13)	The total number of comprehensive claims paid by the insurer for each vehicle risk grouping identified in (12) during the reporting period, and the total amount in dollars paid out by the insurer in response to each of the listed claims totals.	Sec. 33112 (c) (C)	(d)(2)(vii)	5.8

Table 1. Insurer Reporting Requirements (cont.)

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
14)	The maximum premium adjustments (as a percentage of the basic comprehensive insurance premium) made for each vehicle risk grouping identified in (12), as a result of the insurer's determination that such vehicles are more likely to be stolen.	Sec. 33112 (c) (C)	(d)(2)(viii)	4.4
15)	Identity of any other rating rules and plans used to establish comprehensive insurance premiums and premium penalties for motor vehicles it considers more likely to be stolen, and an explanation of how such rating rules and plans are used to establish the premiums and premium penalties.	Sec. 33112 (c) (C)	(d)(3)	4.3
16)	Explanation of the basis for the insurer's comprehensive insurance premiums and the premium penalties charged for motor vehicles it considers more likely to be stolen.	Sec. 33112 (c) (D)	(d) (4)	4.1
17)	Actions taken to reduce comprehensive rates due to a reduction in thefts of this type of motor vehicle.	Sec. 33112 (c)(D)	(e)	6.1
18)	State the conditions to be met to receive such a reduction.	Sec. 33112 (c) (D)	(e)(1)	6.1
19)	State the number of vehicles and policyholders that received such reductions.	Sec. 33112 (c) (D)	(e)(2)	6.2
20)	State the difference in average comprehensive premiums for those receiving the reduction vs. those who did not.	Sec. 33112 (c) (F)	(e)(3)	6.3

Table 1. Insurer Reporting Requirements (conc.)

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
21)	The specific criteria used by the insurer to determine if a vehicle is eligible for a premium reduction if equipped with anti-theft devices.	Sec. 33112 (c) (D)	(f)(1)	6.4
22)	Total number of thefts by insurance company of vehicles subject to a premium reduction for an installed anti-theft device.	Sec. 33112 (c) (F)	(f)(2)	6.5
23)	Total number of recoveries by insurance company of vehicles that received a reduction for an anti-theft device by intact, in-whole, or in-part.	Sec. 33112 (c) (F)	(f)(3)	6.5
24)	Each action taken by the insurer to assist in deterring or reducing thefts of motor vehicles. Describe the action and explain why the insurer believed it would be effective in deterring or reducing vehicle theft.	Sec. 33112 (c) (E)	(g)(1)	7.1
25)	The policy regarding use of used parts, and precautions taken to identify origin of used parts.	Sec. 33112 (c) (E)	(g)(2)(i) (g)(2)(ii)	7.2

Appendix B presents similar theft and recovery data for light duty trucks.

Appendix C presents thefts and recoveries of heavy duty trucks.

Appendix D presents thefts and recoveries of multi-purpose vehicles.

Appendix E presents thefts and recoveries of motorcycles.

Appendix F presents tabulations of the aggregate number of thefts and recoveries of rental and leasing company vehicles.

Appendix G presents a brief summary of each insurer's responses to the reporting requirements.

2. OVERVIEW OF 1996 INSURER AND LEASING COMPANY SUBMISSIONS UNDER THE THEFT ACT

This section presents a general overview of the 1996 insurance and leasing company reports submitted under Chapter 331 of Title 49 of the United States Code.

Specific topics considered include:

- Insurance companies filing 1996 reports
- Rental and leasing companies filing 1996 reports
- The extent that companies responded to each reporting requirement.

2.1 Insurance Companies Filing 1996 Reports

As empowered under Chapter 331 of Title 49, the Department of Transportation is charged with determining the insurance companies subject to the annual reporting requirements and with granting exemptions to those insurers qualifying under Section 33112.

Sections 33112 (b)(1) and (f)(A) and (f)(B) of Chapter 331 of Title 49 define subject insurers as any company and/or subsidiary issuing ten percent or more of the total premiums for all forms of motor vehicle insurance issued by insurers within a particular state, or insurers who issue one percent or more of the total premiums of motor vehicle insurance nationally.

"Small insurers" are defined as those which do not meet these criteria and may be exempted from the reporting requirements.

Data compiled by the A.M. Best Company, Inc. was used by the Department of Transportation to determine insurer market share nationally and in each state for the purpose of identifying subject insurers.

Insurance companies filing reports for the 1996 reporting period are identified in Table 2.

2.2 Rental and Leasing Companies Filing 1996 Reports

Chapter 331 of Title 49 considers the term "insurer" to include any person other than a governmental entity who has a fleet of 20 or more motor vehicles which are used primarily for rental or lease and are not covered by theft insurance policies issued by companies insuring passenger motor vehicles.

Table 2. List of Insurance Companies Filing 1996 Reports

List of Insurers

Alfa Insurance Companies (AL)
Allstate Insurance Company
American Family Group
American International Group (AIG)
Auto Club of Michigan (MI)
California State Automobile Association
CNA Insurance Companies
Commercial Union Assurance Companies (ME)
Concord Group Insurance Company (VT)
Erie Insurance Group (PA)
Farmers Insurance Group
GEICO Corporation Group
ITT Hartford
Liberty Mutual Group
Nodak Mutual Insurance Company (ND)
Prudential of America Group
Southern Farm Bureau Casualty Insurance Company (MS)
State Farm Insurance Companies
Tennessee Farmers Insurance Companies (TN)
Travelers PC Group
USAA Group

Thus, rental and leasing companies may also be subject to the annual insurer reporting requirements. "Small insurers" which are rental or leasing companies are eligible for exemptions from the reporting requirements based on Section 33112(e) of General Exemptions of Chapter 331 of Title 49. These exemptions may be granted by NHTSA if the agency determines that:

- The cost of preparing and furnishing such reports is excessive in relation to the size of the business of the insurer and
- The insurer's report will not significantly contribute to carrying out the purposes of Chapter 331.

The rental and leasing companies furnishing information for the 1996 reporting period are identified in Table 3.

2.3 Insurer Compliance With Reporting Requirements

The level of compliance with the reporting requirements varied both by requirement and by company. The vast majority of the insurance companies responded to most of the requirements.

The Department of Transportation is working closely with the insurers to obtain complete responses to all requirements in future annual submissions.

Responses were supplied in a variety of ways:

- Direct written response from the insurer
- Information supplied on behalf of the insurer through the Insurance Services Office (ISO).

The ISO is a licensed advisory insurance rating organization.

Table 3. List of Rental and Leasing Companies Filing 1996 Reports

Alamo Rent a Car, Inc.
Budget Rent-A-Car Corporation
Dollar Rent-A-Car Systems, Inc.
Hayes Leasing Company, Inc. (Avis Licensee)
National Car Rental System, Inc. (Confidential)
Penske Truck Leasing Company
U-Haul

Table 4 indicates the number of insurance companies which provided responses to each of the various reporting requirements. Responses may have taken one of several forms:

- Data was provided by the insurer, or ISO.
- The insurer indicated that the reporting requirement was not applicable to the manner in which the company conducts its business or recordkeeping.
- The insurer indicated that the reporting requirement was applicable but the information requested was not available.

Many of the reporting requirements pertain to premiums and losses for comprehensive insurance policies. These issues are addressed by the reporting insurance companies and are not directly applicable to the leasing and rental companies. Although the number of insurance companies reporting in 1996 (21) is the same as it was in 1995, the percentage of "Data Not Available" or "Paragraph Not Addressed" responses relative to the total number of possible "Data Supplied" responses has increased by 7%. This is primarily due to incorrect or incomplete responses.

Rental and leasing companies primarily provided information on thefts and recoveries of vehicles from their fleets and the dollar losses associated with these thefts.

Table 4. Insurance Company Compliance with Reporting Requirements (1996)

NHTSA Final Rule (49 CRF Part 544) Reporting Requirement Paragraph	Number Reporting	Data Supplied	Does Not Apply	Data Not Available	Paragraph Not Addressed	Confidential
(c)(1),(c)(2)	21	17	0	1	3	0
(c)(3)	21	14	1	0	0	0
(c)(4)	21	15	0	0	6	0
(d)(1)	21	16	1	1	3	0
(d)(2)(i)	21	18	0	1	2	0
(d)(2)(ii)(a)	21	16	0	2	3	0
(d)(2)(ii)(b)	21	6	0	5	10	0
(d)(2)(iii)	21	18	0	1	2	0
(d)(2)(iv)(A)(1)	21	16	0	2	3	0
(d)(2)(Iv)(A)(2)	21	5	0	5	11	0
(d)(2)(iv)(B)	21	5	3	1	12	0
(d)(2)(v)(A)	21	13	0	3	5	0
(d)(2)(v)(B)	21	5	0	5	11	0
(d)(2)(vi)	21	3	10	0	8	0
(d)(2)(vii)	21	2	9	3	7	0
(d)(2)(viii)	21	2	9	2	8	0
(d)(3)	21	0	12	0	9	0
(d)(4)	21	12	3	1	5	0
(e)	21	9	4	0	8	0
(e)(1)	21	7	4	0	10	0
(e)(2)	21	6	4	1	10	0
(e)(3)	21	6	4	1	10	0
(f)(1)	21	14	2	1	4	0
(f)(2)	21	10	2	3	6	0
(f)(3)	21	7	2	4	8	0
(g)(1)	21	15	2	0	4	0
(g)(2)(i)	21	15	0	0	6	0
(g)(2)(ii)	21	12	0	0	9	0
	588	284	72	43	189	0

3. THEFTS AND RECOVERIES OF MOTOR VEHICLES DURING 1996

This section presents the number of thefts and recoveries of vehicles insured by the reporting companies or belonging to reporting rental and leasing companies, during 1996. The section also discusses how insurers and, rental and leasing companies obtain the theft and recovery data submitted to the Department of Transportation for this report, which other agencies receive this data and how this information is used.

3.1 Thefts and Recoveries by Vehicle Type

Under paragraphs (c)(1) and (c)(2) of the Reporting Requirements, insurers were required to report the number of motor vehicle thefts and recoveries by model year, make, line, model and state. The condition of stolen vehicles upon their recovery was also required according to the following classification system:

- Recovery Intact - A vehicle reported as stolen is recovered with no major parts missing at the time of the recovery and with no apparent damage to the vehicle other than damage necessary to enter and operate the vehicle and ordinary wear and tear. (Major parts are those parts subject to the marking requirements of Chapter 331 of Title 49.)

- Recovery In-Whole - A vehicle reported as stolen is recovered with no major parts missing at the time of the recovery but with damage in addition to that sustained during unauthorized entry and operation. This would include vehicles stripped of other parts, wrecked vehicles, burned vehicles (with no major parts missing), etc.

- Recovery In-Part - A vehicle reported as stolen is recovered with one or more major parts missing at the time of recovery. This would include vehicles stripped of other parts, wrecked vehicles, burned vehicles, etc.

3.1.1 Thefts and Recoveries Reported by Insurance Companies

The Insurance Services Office (ISO) provided the required theft and recovery data on behalf of most of the reporting companies. This information included the number of stolen vehicles which were equipped with anti-theft devices (ATD).

Company specific theft and recovery information was combined and is presented by vehicle type in Appendices A-E for passenger cars, light trucks, heavy trucks, multi-purpose vehicles and motorcycles respectively. Each of these appendices present aggregate theft and recovery data by state, make, model, line and model year. This data includes thefts and recoveries of model year 1993-1997 vehicles which occurred during 1996. Each appendix also presents theft and recovery totals by state (Tables A-E of Appendix A).

Table 5 summarizes the theft and recovery information listed in Appendices A-E. During

1996, reporting insurance companies received claims for the theft of 105,861 vehicles produced during model years 1993-1997. A total of 20,526 or 19 percent of these stolen vehicles were recovered. This continues a trend of significantly lower recovery rates over recent years. The recovery rates were 51 percent for the 1992 reporting period (11), 47 percent for the 1993 reporting period (12), 36 percent for the 1994 reporting period (13), and 31 percent for the 1995 reporting period (14).

Only 3.9 percent of the stolen vehicles were equipped with an anti-theft device. Sixty-six percent of the vehicles with anti-theft devices were passenger cars.

Passenger cars accounted for 60.2 percent of the stolen vehicles. This is the same percentage as occurred in 1995 (a difference of .04%). The next largest category was multi-purpose vehicles which represented 21.2 percent of the thefts. Light trucks accounted for 13.5 percent of the thefts while heavy trucks and motorcycles together accounted for only 5.0 percent of the thefts.

Although recovery rates have been steadily dropping since 1989, the largest drop in recovery rate, over a single year, for all vehicles combined has occurred between 1995 (31% recovery rate) and 1996 (19.4% recovery rate). Recovery rates during 1996 were highest for multi-purpose vehicles and passenger cars (each 20 percent), followed by light trucks and heavy trucks (19 and 16 percent, respectively). Motorcycles had the worst rate of recovery (7 percent).

Twenty-two percent of all recovered vehicles were found to be intact. Vehicles recovered in-whole accounted for 62 percent of all vehicle recoveries while vehicles recovered in-part represented 16 percent of all recoveries.

3.1.2 Thefts and Recoveries Reported by Rental and Leasing Companies

Rental and leasing companies reported their theft and recovery data in a different manner than the insurance companies. Most of the rental and leasing companies used their own unique style of reporting.

Table 5. 1996 Thefts & Recoveries of Insured Model Year 1993-1997 Vehicles

			Recoveries				
Vehicle Type	No. of Thefts	No. with ATD	Intact	In-Whole	In-Part	Total	%
Passenger cars	63,705	2,752	2,791	8,025	1,942	12,758	20
Light Trucks	14,323	439	605	1,600	571	2,776	19
Heavy Trucks	244	1	13	18	7	38	16
MPV's	22,494	913	992	2,877	726	4,595	20
Motorcycles	5,095	46	113	174	72	359	7
TOTAL	105,861	4,151	4,514	12,694	3,318	20,526	19.4

The information reported by each rental and leasing company was combined and a total number of thefts and recoveries for these companies was computed. This information is presented in Appendix F stratified by model year, make and model and includes the number of thefts, number of recoveries intact, number of recoveries in-whole, number of recoveries in-part, total number of recoveries and the percentage of stolen vehicles recovered.

As shown in Appendix F, the seven reporting rental and leasing companies identified a total of 5,941 vehicle thefts during 1996. For the six companies reporting recoveries, 87.1 percent (5,175/5,941) of the stolen vehicles were recovered either intact, in-whole or in-part.

The condition of vehicles upon recovery was provided for 4,403 of the 5,175 recovered vehicles. Of the vehicles whose condition upon recovery was known, 73 percent were recovered intact, 24 percent were recovered in-whole and 3 percent were recovered in-part.

3.2 Procedures to Obtain Theft and Recovery Data

Under paragraph (c)(3) of the NHTSA Reporting Requirements, rental and leasing and insurance companies provided an explanation of how theft and recovery data is obtained and the steps taken by the industry to ensure the accuracy of this data.

Theft and recovery information is obtained by insurance companies from their policy holders and agents as reports of claims by phone, letter, facsimile or in person. For some companies, an agent or Physical Damage Supervisor is responsible for maintaining a log of each stolen vehicle report.

Insurers check for completeness via individual review of files by managers, adjusters or claims handlers or by employing automated edit and completeness checks in their computerized master data files. In addition, some insurers perform periodic audits, use computer reconciliation programs, or statistically process data via sampling routines to identify erroneous or incomplete data. Incomplete reports are returned to the reporting claim office by the Home Office Claim Department for correction.

Recovery data is also obtained from either the National Insurance Crime Bureau (NICB), the police or the insured. The license plate and VIN number are checked by physical inspection by a claims adjuster, or requires witnessed or notarized signatures of the insured and complete descriptions of damage to the vehicle at the time of loss.

A summary of the insurance company responses to this and subsequent reporting requirements described throughout the remainder of this report may be found in Appendix G.

A review of rental and leasing company responses for the 1996 reporting period indicates that their methods to obtain data involve reviewing "Vehicle Theft Reports" submitted from corporate locations, obtaining annual or monthly reports from corporate city location headquarters and field operations, and obtaining data via telephone hot lines and fax reports. Data is obtained from company files and reports made to law enforcement and other government agencies. In some cases, reports must be accompanied by a copy of the police report. Offices that have not completed reporting procedure requirements by the end of the month are contacted directly and reminded of their monthly reporting requirements.

3.2.1 Notifying Insurance Companies of Motor Vehicle Thefts and Recoveries

Thefts of insured motor vehicles are generally reported by policyholders to their insurance company, agent or claims handler within 24 hours of the theft. This information is reported either by telephone, in writing or in person.

Most insurers routinely report thefts and recoveries of motor vehicles to the NICB within 24 to 48 hours after they receive the information. This information is provided to the NICB in a uniform manner for all participating companies.

Most insurers will also immediately contact the local law enforcement agency and will compare the police report to coverage data such as the Vehicle Identification Number (VIN) and license number so that the company may be notified quickly if the police recover the vehicle.

The insurers receive information on recovered stolen vehicles from their policyholders, the NICB and police agencies. The insurers will attempt to inspect the vehicle to verify the VIN and the condition of the vehicle upon recovery based upon the classifications employed by the Motor Vehicle Theft Law Enforcement Act of 1984 (i.e. recovery intact, in-whole or in-part). The results of this inspection are forwarded to the NICB.

3.2.2 Insurance Industry Procedures to Ensure Accurate Theft and Recovery Data

To ensure the accuracy and timeliness of theft and recovery data, many insurance companies have developed well defined procedures for their claim processors to thoroughly investigate and document theft losses. They utilize their Special Investigative Unit in those cases with suspicious circumstances where the need for further investigation is warranted. Processors are continuously trained in the proper procedures, their claim files are routinely, randomly sampled by supervisors. Some companies periodically perform multiple reviews, tests and audits, of their theft claim files by their branch management, district management, regional management and home office claim review units.

In addition to these internal audits and quality control reviews, the information submitted to the NICB is thoroughly reviewed for accuracy and completeness. The NICB provides the insurers with a list of missing information or claim discrepancies. The insurers must then investigate to resolve the discrepancies, provide missing information and resubmit their reports. The NICB reviews all data discrepancies until they are resolved.

Some insurers also review police reports to determine the accuracy of the VIN, license number, date of theft, date of recovery and condition of the vehicle upon recovery. Other insurers use VIN check software in conjunction with their estimating systems licensed by Automated Data Processing Company and Certifies Collateral Company to ensure VIN accuracy and detect fraud. Computer reconciliation programs are also used to verify data. In some cases, a copy of the registration and title document are obtained and reviewed to assure accuracy of license number and VIN. This type of information is stored both by the NICB and other law enforcement agencies and is cross-referenced for accuracy. Other insurers review statistical information from ISO on a quarterly basis and compare it with internal reports based upon theft reserves and payments to ensure the accuracy of reported data.

3.2.3 Rental and Leasing Company Procedures to Obtain Accurate Theft and Recovery Data

It is generally the responsibility of the lessee operator to report the theft of a vehicle to the appropriate law enforcement agency. The police report of the theft is obtained and compared with the lessee theft report and other related documents to ensure that the information is consistent and accurate. Accuracy is tested by some companies by comparing selected city reports on stolen activity with annual city historical information. System programs are used to sort and compile theft reports.

3.3 Uses of Theft and Recovery Data

Under paragraph (c)(4) of the Reporting Requirements, insurance, rental and leasing companies provided an explanation of how theft and recovery data is used and reported to other organizations.

This information is used both internally by the insurance companies and externally by other organizations for a variety of purposes including:

1) Data is reported to state and local enforcement agencies at the time of loss.
2) Analysis, accounting and reporting to state insurance departments. This reporting would include state rate filings.
3) Determining rates for comprehensive coverage by determining patterns of loss experience and exposure, determining locations with unusual theft risks and developing risk management practices. These types of analyses are done both by the insurers themselves and by agencies they report to such as the Insurance Services Organization (ISO)), Highway Loss Data Institute (HLDI), the Massachusetts Auto Rating and Accident Prevention Bureau, the Michigan Insurance Bureau, the National Auto Theft Information System, or a regulator. A regulator is an industry supported rating bureau.
4) Controlling claim costs by providing information to the claim staff to assist their investigations and arrive at quicker, more accurate settlements.
5) Identifying and investigating cases of suspected claim misrepresentation or the possibility that the policyholder is involved in a crime. In such instances, the insurance companies may forward theft claim data to a Corporate Security External Fraud Investigative Unit, the local police, NICB, State Fraud Bureau or the Insurance Crime Prevention Institute (ICPI). Some companies routinely advise local police when the company has issued a payment for a stolen vehicle.
6) Assist efforts to recover stolen vehicles by prompt accurate reporting to the local police and the NICB. The police in turn will forward the theft and recovery data to the National Crime Information Center (NCIC).
7) Assist efforts to track theft and comprehensive experience by state and locality by submitting theft reports to the NICB. The NICB aggregates data supplied by participating insurers and publishes statistics on thefts and recoveries by location.
8) Provide information to educate consumers about the problem of automobile theft.

A few of the insurers indicated that they did not utilize theft and recovery data for any purpose other than to supply information required by Section 33112 of Title 49 of the U.S.C.

Some of the rental and leasing companies utilize theft and recovery information internally for operational and business accounting purposes, or to identify a monetary amount per location to establish reserves for potential losses, or to identify the six month time limit required by internal procedures to remove the vehicle from inventory and record the loss, and do not release this information to any other organization. Other companies provide information to the local law enforcement agencies and the NCIC.

4. SETTING RATES FOR MOTOR VEHICLE COMPREHENSIVE COVERAGE DURING 1996

This section describes the procedures and factors considered by the reporting insurance companies to establish the premiums charged for motor vehicle comprehensive coverage during 1996. Of special interest is the role of vehicle theft in the determination of premiums for comprehensive coverage.

Specific topics considered include:

- The basis for motor vehicle comprehensive premiums and the basis for premium penalties assessed for vehicles with high theft rates
- The rating characteristics used by insurers to establish comprehensive premiums for motor vehicles
- Additional rules and plans followed by insurers to establish comprehensive premiums and premium penalties
- The maximum adjustments to comprehensive premiums for vehicles considered as posing an especially high risk of theft
- An identification of lines with a high risk of theft.

Each of these topics is considered separately in the sections which follow. As might be expected, the procedures and rating characteristics used by the insurers to establish comprehensive premiums during 1996 were very similar to those documented by the insurers for previous years.

4.1 Basis for Comprehensive Premiums and Premium Penalties for Vehicles with High Theft Rates

Under paragraph (d)(4) of the NHTSA Insurer Reporting Requirements, insurers provided an explanation of the basis for their comprehensive insurance premiums and premium penalties charged for motor vehicles considered as most likely to be stolen.

Many of the insurers established comprehensive rates utilizing the total comprehensive loss experience without identifying the theft component of this experience. This procedure was often followed since the insurer's theft loss experience was insufficient to serve as a basis for comprehensive rates. Most insurers do not perform any independent analysis of the premium charges for vehicles considered more likely to be stolen. Some of the insurers total loss experience was insufficient to serve as the basis for comprehensive rates. As a result, most insurers charge no premium penalties based on propensity to be stolen.

Other insurance companies rely on the aggregate experience of many companies as compiled by the ISO Vehicle Rating Series Program or by the HLDI. The ISO symbol structure, which assigns a numeric symbol to each motor vehicle based on the manufacturers suggested retail price (MSRP) called the Price New Symbol, is used by many insurers. The Price New Symbol may be adjusted either upward or downward to reflect physical damage loss experience, in accordance with the Vehicle Series Rating Program. Cars that are more likely to be stolen will be assigned a higher symbol("upsymbolled") than they would otherwise receive based on the MSRP, thus resulting in higher premiums.

Allstate Insurance Company bases its' comprehensive insurance premiums on the MSRP plus the price of the engine option. A preliminary price group symbol (PGS) is then assigned using the price and a price range chart. The vehicle's PGS may be adjusted under the Make/Model Experience Rating Program which is based on collision plus comprehensive experience of the latest two model years. The calculated loss ratio is then expressed relative to the average loss ratio for all models. Adjustments are then made using the following table:

Relativity	**Rating Category**	**Adjustment**
29 or below	-5	PGS reduced by 5 price groups
30-39	-4	PGS reduced by 4 price groups
40-49	-4	PGS reduced by 3 price groups
50-60	-2	PGS reduced by 2 price groups
61-80	-1	PGS reduced by 1 price group
81-119	0	No adjustment
120-149	+1	PGS increased by 1 price group
150-199	+2	PGS increased by 2 price groups
200-249	+3	PGS increased by 3 price groups
250-324	+4	PGS increased by 4 price groups
325 and above	+5	PGS increased by 5 price groups

The Commercial Union Insurance Companies report that the Make and Model Rating system was developed by analyzing, on an annual basis, comprehensive and collision experience for the industry as provided by HLDI. This analysis results in the development of a statistical comprehensive model relating loss experience to vehicle characteristics including: original cost of the vehicle, the size of the car and whether it is a two door, four door, sports car or specialty model. This statistical model is based solely upon theft experience, without consideration of other types of comprehensive type losses.

Some insurers identify groups of vehicles to which penalties are attached to the comprehensive premium which they believe are more likely to be stolen than other vehicles. Company experience compared with the experience of other members of the insurance industry is used to develop adjustments based upon damageability (including cost of repair and susceptibility to theft).

The California State Automobile Association bases comprehensive premiums on a needed premium revenue using prior years experience compared with actual earned premiums brought up to the present rate level. Both losses and expenses which make up the needed premium revenue are adjusted to reflect the cost level projected to be in effect when the new rates are in force.

Rates are established for individual makes and models on the basis of their rating symbol. As noted above, a rating symbol is an actuarial designation which primarily reflects the price of the vehicle when it is new and may also reflect its damageability/repairability. As noted above, the rating symbol assigned to individual makes and models may be adjusted up or down most often based on its <u>combined</u> collision and loss experience. Since the bulk of physical damages arise from collisions, the rating symbol may often correlate more closely to collision experience than theft experience.

These rates may be adjusted by territory of operation, vehicle age, driver and vehicle use characteristics. Other elements upon which premiums and premium penalties are based include vehicle size, design, performance, sportiness, production levels, cost and frequency trends and competitive position.

The commonly used rating characteristics for comprehensive coverage are described in the section which follows.

4.2 Rating Characteristics Used to Establish Comprehensive Premiums

Under paragraph (d)(1) of the Reporting Requirements, insurers provided the rating characteristics used to establish the premiums charged for comprehensive insurance coverage during 1996 and the premium penalties assessed for vehicles considered more likely to be stolen.

Typical driver rating characteristics include:

- Age
- Sex
- Driver Classification
- Driving Record
- Marital Status

Typical vehicle use rating characteristics include:

- Primary use of vehicle (i.e., commuting, business, etc.)
- Annual mileage traveled

Additional rating characteristics include:

- Loss experience
- Territory of operation
- Number of other vehicles insured
- Model year (age) of the vehicle
- Cost new and damageability/repairability of the vehicle
- Policy deductible amount
- Whether vehicle equipped with a Passive Occupant Restraint System
- Whether vehicle equipped with an anti-theft device
- Garaged location
- Expense of doing business
- Good student discount for youthful drivers.

Most of the companies did not assess any surcharge or premium penalties to insure vehicles which are stolen more frequently than others. Those companies which did charge such penalties employed a variety of rating characteristics to select vehicles for these penalties. These characteristics included:

- The potential for higher than usual losses of all kinds under comprehensive coverage (e.g., the ability of the vehicle to withstand damage)

- High incidence of theft

- Performance characteristics of the vehicle such as acceleration capabilities

- Design characteristics such as luxury and sportiness

- Level of automotive production, availability of replacement parts and associated repair costs.

4.3 Other Rules and Plans to Establish Comprehensive Premiums and Premium Penalties

Under paragraph (d)(3) of the NHTSA Insurer Reporting Requirements, insurers provided additional rules and plans used in 1996 to establish comprehensive premiums and premium penalties for motor vehicles they consider as more likely to be stolen.

As noted in section 4.2, most of the reporting insurance companies did not assess any premium penalty based on theft potential. Companies which did charge premium penalties did so on the basis of higher than usual losses associated with specific identifiable classes of vehicles. These companies employed a variety of classification schemes to select vehicles for these penalties. Even in these cases, penalties were seldom if ever based specifically and solely upon theft loss potential. Surrogate measures for vehicle theft such as total loss experience, repair costs, performance and design characteristics were used rather than actual theft experience itself in determining theft-related premium penalties.

The most commonly cited method to assess premium penalties is the ISO Vehicle Series Rating (VSR) procedure. This procedure is used to raise or lower a vehicle's rating symbol based upon observed loss experience. However, the procedure is based upon a number of factors influencing loss potential and is not tied solely to the likelihood of theft. Thus, the procedure can not be used to develop discounts or penalties which specifically recognize a vehicle's theft loss potential.

Other companies, while not citing the ISO VSR procedure, employed very similar principles to vary a vehicle's rating symbol designation up or down on the basis of overall loss experience.

One company (CSAA) cited a different classification method to assess vehicles for theft-related premium penalties. For this purpose, vehicles were classified as:

- High Exposure - Vehicles capable of accelerating from 0 to 60 mph within 7 seconds or vehicles with excessive comprehensive and collision losses.

- Selected Autos - Vehicles known for their luxury, design and performance characteristics which have a high incidence of theft. These vehicles are more expensive to repair and often result in total loss settlements due to delays in obtaining replacement parts.

- Limited Production Vehicles - Vehicles with low production volumes.

The premium adjustments assessed under these various schemes are described in the section which follows.

4.4 Maximum Premium Adjustments for High Risk Vehicle Groupings

Under paragraph (d)(2)(viii) of the NHTSA Reporting Requirements, insurers indicated the maximum premium adjustments applied during 1996 for each of their designated high theft risk vehicle groupings. These adjustments were expressed as a percentage of the basic comprehensive premium.

One of the insurers indicated that its maximum premium adjustment due to comprehensive loss experience is 100 percent. This insurer states that comprehensive experience makes up, at most, 50 percent of the experience used in determining the symbol (collision experiences are also involved). Thus, the insurer estimates the maximum impact on premiums due to theft experience as 50 percent.

As noted in Section 4.3, one of the insurers employed a specific classification scheme to assess premium penalties in which vehicles were classified as either High Exposure, Selected Autos or Limited Production vehicles. The premium penalties for each of these classifications were as follows:

- High Exposure Vehicles - Assessed an 85 percent surcharge to the basic premium plus a 1 rating symbol increase, $100 mandatory deductible.
- Selected Autos - Assessed a 70 percent surcharge to the basic premium plus a 2-rating symbol increase, $1000 or 10 percent mandatory deductible.
- Limited Production Vehicles - Assessed a 70 percent surcharge to the basic premium plus a 2-symbol increase.

The lines specifically identified by insurers as high risk vehicles subject to some form of premium penalty are identified in the section which follows.

4.5 Designated High Risk Lines

Under paragraph (d)(2)(vi) of the Reporting Requirements, insurers were asked to identify vehicles which were assessed premium penalties for comprehensive coverage in 1996 because they were considered more likely to be stolen than other vehicles.

As noted previously, most of the insurers did not charge any premium penalties on the basis of theft potential. The few that did charge premium penalties, frequently included other issues than theft potential alone in their decision to designate vehicles as subject to premium penalties.

Lines more commonly designated by insurers as subject to higher comprehensive premiums due to greater loss risks are indicated in Table 6 for the two companies reporting: American Family Group and California State Automobile Association.

Three other insurance companies, ITT Hartford, Geico and Concord referred to ISO's Vehicle Symbol Rating Manual which is determined based on several factors -- one of which is theft. Thus, these symbols do not necessarily identify high theft vehicles.

Table 6: Typical Designated High Risk Lines During 1996
American Family Mutual Insurance Company

1993	1994	1995	1996	1997
BMW:	BMW:	BMW:	Acura Integra	Acura Integra
318i	318i	318i	BMW:	BMW:
325i	325i	325i	318i	318 Series
Chevrolet:	Chevrolet:	Chevrolet:	318ti	328 Series
Blazer	Blazer	Camaro	318is	(2DR only)
Camaro	Camaro	Corvette	328i	Chevrolet:
Corvette	Corvette	Ford Mustang	328is	Corvette
Dodge Stealth	Dodge Stealth	GEO Tracker	Chevrolet:	Eagle:
R/T Turbo	R/T Turbo	Honda Prelude	Camaro Conv.	Talon 4WD
Ford Mustang	Ford Mustang	Mitsubishi:	Corvette	Infiniti J30
Geo Tracker	GEO Tracker	3000GT VR-4	Eagle:	Jeep Wrangler
GMC Jimmy	GMC Jimmy	Eclipse	Talon 4WD	Lexus: SC 300
Honda Prelude	Honda Prelude	Montero	Ford:	Mitsubishi:
Isuzu Amigo	Isuzu Amigo	Nissan:	Mustang Conv.	3000GT
Mitsubishi:	Mitsubishi:	300ZX	GEO Tracker	Eclipse
3000GT VR-4	3000GT VR-4	Pontiac Firebird	Honda Prelude	Pontiac:
Nissan:	Nissan:	Porsche	Land Rover:	Firebird Conv.
240SX	240SX	Suzuki Sidekick	Range Rover	Porsche 911
300ZX	300ZX	Toyota:	Lexus:	Toyota:
Pathfinder	Pathfinder	LandCruiser	GS 300	LandCruiser
Pontiac Firebird	Pontiac Firebird	4 Runner	SC 300	Supra
Porsche	Porsche		SC 400	4Runner 4X4
Suzuki Samurai	Suzuki Samurai		Mitsubishi:	
Toyota:	Toyota:		3000GT	
Land Cruiser	LandCruiser		Eclipse	
4 Runner	4 Runner		Montero 4X4	
Volkswagen:	Volkswagen:		Nissan	
Cabriolet	Corrado		300ZX	
Corrado	Golf		Pontiac:	
Golf	Jetta		Firebird Conv.	
Jetta			Porsche 911	
			Toyota:	
			LandCruiser	

Table 6: Typical Designated High Risk Lines During 1996 (Cont'd)
California State Automobile Association
High Exposure

1996 High Exposure

Acura
- NSX-T 2D Tar
- NSX-T 2D Cpe

BMW
- M3 2D Cpe
- 328i 4D Sed
- 328is 2D Cpe
- 328iC 2D Con
- 740iL 4D Sed
- 750iL 4D Sed

Chevrolet
- Camaro Z-28 (V8) 2D Con
- Camaro Z-28 (V8) 2D Hbk

Dodge
- Stealth FWD 2D Hbk DOHC

Eagle
- Talon TSi Turbo (FWD) 2D Hbk ESi
- Talon TSi 2.0L (AWD) 2D Hbk ESi

Ford
- Mustang GT or GTS 2D Cpe
- Mustang GT 2D Con
- Mustang Cobra 2D Cpe
- Mustang Cobra 2D Con
- Probe GT 2D Hbk

Jaguar
- XJ12 4D Sed
- XJ6 4D Sed

Mazda
- MX-6 LS 2D Cpe

Mercedes
- C36 4D Sed

Mitsubishi
- 3000GT 2D Hbk
- 3000GT SL 2D Hbk
- 3000GT SL Spyder 2D Con
- Eclipse GST Turbo (FWD) 2D Con
- Eclipse GST Turbo (FWD) 2D Hbk
- Eclipse GSX Turbo (4WD) 2D Hbk

Nissan
- 300ZX 2+2 2D Hbk
- 300ZX Twin Turbo 2D Hbk
- 300ZX Base or T-Top 2D Hbk
- 300ZX 24-Valve 2D Con

Pontiac
- Firebird 2D Hbk TA/Formula/Firehawk
- Firebird 2D Con TA/Formula/Firehawk

Saab
- 9000 CSE Tur 4D Hbk std-output
- 9000 Aero Tur 4D Hbk std-output
- 9000 Aero Tur 4D Hbk hi-output
- 900 Turbo SE 2D Con
- 900 Turbo SE 2D Hbk
- 900 Turbo SE 4D Hbk

Toyota
- Supra 2D Hbk
- Supra 2D Hbk Twin-Turbo

Volkswagen
- GTI 2D Hbk
- Jetta 4D Sed GLX

1995 High Exposure

Alfa Romeo
- 164 4D Sed LS
- 164 4D Sed Quadrifoglio

BMW
- M3 2D Cpe
- 325i 4D Sed
- 325is 2D Cpe
- 325iC 2D Con
- 530i 4D Sed
- 540i 4D Sed
- 740iA 4D Sed
- 740iL 4D Sed

Chevrolet
- Camaro Z-28 (V8) 2D Con
- Camaro Z-28 (V8) 2D Hbk

Dodge
- Stealth FWD 2D Hbk DOHC

Eagle
- Talon TSi Turbo (FWD) 2D Hbk ESi
- Talon TSi Turbo (AWD) 2D Hbk ESi

Ford
- Mustang GT or GTS 2D Cpe
- Mustang GT 2D Con
- Mustang Cobra 2D Cpe
- Mustang Cobra 2D Con
- Probe GT 2D Hbk
- Taurus SHO 3.0L & 3.2L 4D Sed
- Thunderbird SC 2D Cpe

Jaguar
- XJS 2D Cpe
- XJS 2D Con
- XJ12 4D Sed
- XJ6 4D Sed superchgd.

Mazda
- MX-6 LS 2D Cpe
- RX7 2D Hbk

Mercedes
- C36 4D Sed

Mitsubishi
- 3000GT 2D Hbk
- 3000GT SL 2D Hbk
- 3000GT SL 2D Con
- Eclipse GST Turbo (FWD) 2D Hbk
- Eclipse GSX Turbo (4WD) 2D Hbk

Nissan
- 300ZX 2+2 2D Hbk
- 300ZX Twin Turbo 2D Hbk
- 300ZX Base or T-Top 2D Hbk
- 300ZX 24-Valve 2D Con

Table 6: Typical Designated High Risk Lines During 1996 (Cont'd)
California State Automobile Association

<u>1995 High Exposure</u> (Cont'd)

Pontiac
- Firebird 2D Hbk TA/Formula/Firehawk
- Firebird 2D Con TA/Formula/Firehawk

Saab
- 9000 CSE Turbo 4D Hbkstd-output
- 9000 Aero Tur 4D Hbk std-output
- 9000 Aero Tur 4D Hbk hi-output
- 900 Turbo SE 2D Con
- 900 Turbo SE 2D Hbk

Toyota
- MR2 2D Cpe or T-Bar or T-Bar Turbo
- Supra 2D Hbk
- Supra 2D Hbk Sports roof

Volkswagen
- GTI 2D Hbk
- Jetta III 4D Sed GLX

<u>1994 High Exposure</u>

Alfa Romeo
- Spider 2D Con
- Spider 2D Veloce
- 164 4D Sed LS
- 164 4D Sed Quadrifoglio

BMW
- 325i 4D Sed
- 325is 2D Cpe
- 325iC 2D Con
- 530i 4D Sed
- 540iA 4D Sed
- 740iA 4D Sed
- 740iL 4D Sed

Chevrolet
- Camaro 2D Hbk Z-28
- Camaro 2D Con Z-28

Dodge
- Stealth DOHC 2D Hbk
- Stealth DOHC Lxry 2D Hbk

Eagle
- Talon 2D Hbk TSi Turbo AWD
- Talon 2D TSi Turbo

Ford
- Mustang 2D Cpe Cobra
- Mustang GT 2D Cpe
- Mustang GT 2D Con
- Mustang 2D Con Cobra
- Probe GT 2D Hbk
- Taurus SHO 3.0L 4D Sed
- Taurus SHO 3.2L 4D Sed
- Thunderbird SC 2D Cpe Suprchrg

Jaguar
- XJ12 4D Sed
- XJS 2D Cpe
- XJS 2D Con
- XJS 2D Con 2+2

Mazda
- MX-6 2D Cpe LS
- RX7 2D Hbk

Mitsubishi
- 3000GT 2D Hbk
- 3000GT SL 2D Hbk
- Eclipse GS Turbo 2D Hbk
- Eclipse GSX Turbo (4WD) 2D Hbk

Nissan
- 300ZX 2+2 2D Hbk
- 300ZX Twin-Turbo 2D Hbk
- 300ZX T-Top or Base 2D Hbk
- 300ZX 2D Con

Plymouth
- Laser RS Turbo 2D Hbk
- Laser RS Turbo 4WD 2D Hbk

Pontiac
- Firebird 2D Hbk TransAm/Formula
- Firebird 2D Con TransAm/Formula

Saab
- 9000 4D Hbk Aero Turbo
- 9000 4D Hbk CS or CSE or Aero Tur
- 9000 4D Sed CD or CDE Turbo
- 900 Turbo 2D Con
- 900 Turbo Sport 2D Con
- 900 Turbo 2D Hbk

Toyota
- MR2 2D Cpe
- MR2 T-Bar 2D Cpe
- MR2 T-Bar Turbo 2D Cpe
- Supra 2D Hbk
- Supra 2D Hbk Sports roof

Volkswagen
- Corrado SLC 2D Hbk
- GTI 2D Hbk
- Jetta III 4D Sed

Table 6: Typical Designated High Risk Lines During 1996 (Cont'd)
California State Automobile Association

Select and Limited Production Autos

Select Autos

AC Cobra (1963-1967)
Acura NSX
Aston Martin
Bentley
BMW M1, 740, 750, 840, 850
Clenet
Chevrolet Corvette
Cizeta
Delorean
De Tomaso Pantera, GTS
Dodge
Daytona Stealth RT Turbo 4wd, Viper
Duesenberg
Excalibur
Ferrari
Lamborghini
Lotus (except Elan)
Maserati
Mercedes 300Series, 320Series, 400Series
420Series, 500 Series, 560 Series, 600 Series
Mitsubishi
3000GT, VR-4 Turbo AWD
Porsche 911, 924, 928, 930, 944, 968
Toyota Supra (1993 and newer twin turbo)
Rolls Royce
Vector

Limited Production Autos

Avanti (1970's and later)
Bertone
Bitter
Bizzarini
Bradley GT
Bricklin
Bugatti
Cadillac Fleetwood stretched limo
Citroen M35 (1969), 2CV (1971)
Cord (1969 Replicar)
CX Prestige
Daimler
Dutton
Excalibur
Fiat Special T, Moretti, Aberth 1600
IS
Jensen Interceptor III
McClaren
Mercedes 6.9, 450SLC, 600, 300SL, 380SLC, Gullwing
Morgan
Panther
Pininfarina
Rover (1980-81 passenger car)
Saab 3 cyl
Scarab
Seven
Shelby
Stutz
Sunbeam Tiger (1965-1967)
Sterling (Pre 1986)
Toyota 2000 GT
Trident
TVR
XM

5. INSURANCE LOSSES FROM MOTOR VEHICLE COMPREHENSIVE POLICIES DURING 1996

This section describes the losses incurred by insurance companies during 1996 from policies providing motor vehicle comprehensive coverage. Also described are insurance, rental and leasing company losses caused by motor vehicle theft.

Specifically, the following topics are examined:

- The number of comprehensive claims paid by insurers during 1996.
- The proportion of these comprehensive claims which were caused by motor vehicle theft.
- The dollar losses sustained by reporting insurance companies under comprehensive coverage.
- The total dollar losses under comprehensive policies attributable to theft and the proportion of all comprehensive losses attributable to vehicle theft.
- The net dollar losses due to vehicle theft.
- The amount recovered by insurers through the sale of recovered vehicles and parts.
- The proportion of these dollars recovered which is attributable to thefts of whole motor vehicles.
- The number of comprehensive claims and the amounts paid by insurers for designated high risk vehicles.

Each of these topics is considered in the sections which follow.

5.1 Comprehensive Claims Paid By Insurers During 1996

Under paragraphs (d)(2)(i) and (d)(2)(ii)(A) of the Reporting Requirements, insurers indicated the total number of comprehensive claims which were paid during 1996 and the number of these claims which resulted from a theft.

The total number of comprehensive claims paid by each company is presented in Table 7. The number of comprehensive claims paid by the various reporting companies during 1996 ranged from just over 4,000 to over 2.9 million.

Table 7. Number of Comprehensive Claims Paid By Reporting Ins. Co. (1996)

Insurer	Number of Claims	
	All Vehicles	Commercial
Alfa Insurance Companies	39,650	
Allstate Insurance Company	1,289,569	9,621*
American Family Group	N/A	
American International Group (AIG)	71,498	37,491
Auto Club of Michigan (MI)	441,890	163,349
California State Automobile Association	209,111	
CNA Insurance Companies	196,810	
Commercial Union Assurance Company	10,222	
Concord Group Insurance Company	4,063	894*
Erie Insurance Group	164,015	
Farmers Insurance Group	600.263	
GEICO Corporation Group	285,207	
ITT Hartford	164,897	1,633
Liberty Mutual Group	NA	
Nodak Mutual Insurance Company	NA	
Prudential of America Group	107,628	6,523*
Southern Farm Bureau Casualty Ins. Co.	58,176	
State Farm Insurance Companies	2,943,737	
Tennessee Farmers Insurance Companies	31,198	9,484*
Travelers PC Group	99,330	
USAA Group	403,093	
Totals:	7,120,357	228,995

*Trucks (Identified as either light or heavy trucks)

In total, 7,120,357 comprehensive claims were paid by these companies during 1996 for all types of vehicles.

Whereas comprehensive claim totals are presented in Table 7, as provided by the insurers, Table 8 indicates the number of comprehensive claims paid by each company during 1996 which resulted from a theft. The number of these claims paid by the various companies ranged from 59 theft claims to over 220,000.

A total of 435,244 claims or 6 percent of all reported comprehensive claims paid by 21 reporting insurance companies were the result of the theft of a motor vehicle or the theft of its contents or components.

Seven rental and leasing companies also indicated the number of vehicles stolen from their fleets during 1996.

Table 9 presents the number of stolen vehicles reported by each rental and leasing company. The companies reported a total of 5,941 vehicles stolen during 1996.

5.2 Proportion of Theft Claims Due to Vehicle Theft

Responding under paragraph (d)(2)(ii)(B) of the NHTSA Reporting Requirements, insurers indicated their estimate of the proportion of theft claims paid during 1996 which resulted from the theft of motor vehicles. This classification would exclude claims resulting solely from the theft of vehicle contents or components.

These estimates are presented by company in Table 10. The proportion of theft claims which resulted from the theft of motor vehicles varied by company and ranged anywhere from 42.8 to 100 percent. From 1.4 to 4.6 percent of all comprehensive claims were attributed to vehicle theft.

Overall, motor vehicle theft accounted for 53.6 percent of all theft claims paid by the 6 insurance companies which provided these estimates. For the 6 companies reporting vehicle thefts, the total number of such thefts was 192,497 out of 359,378 claims that arose from a theft. These totals underestimate the number of vehicle thefts experienced by insurers subject to the reporting requirements, since 15 insurers did not provide a percentage breakdown of vehicle thefts for the theft claims they reported.

Table 8. Theft Claims Paid By Reporting Ins. Co. (1996)

Insurer	Number of Claims	
	All Vehicles	Commercial
Alfa Insurance Companies	NA	
Allstate Insurance Company	84,351	620*
American Family Group	NA	
American International Group (AIG)	400	263
Auto Club of Michigan	NA	
California State Automobile Association	8,517	
CNA Insurance Companies	8,859	
Commercial Union Assurance Company	1,383	
Concord Group Insurance Company	59	19*
Erie Insurance Group	2,764	
Farmers Insurance Group	19,039	
GEICO Corporation Group	34,413	
ITT Hartford	6,691	46
Liberty Mutual Group	NA	
Nodak Mutual Insurance Company	NA	
Prudential of America Group	9,223	338*
Southern Farm Bureau Casualty Ins. Co.	86	
State Farm Insurance Companies	227,855	
Tennessee Farmers Insurance Companies	772	213*
Travelers PC Group	6,242	
USAA Group	24,590	
Totals:	435,244	1,499

*Trucks (Includes light and heavy trucks)

Table 9. Number of Thefts Reported By Leasing Co. (1996

Insurer	No. of Thefts
	All Vehicles
Alamo Rent a Car, Inc.	1,655
Budget Rent-a-Car Corporation	1,378
Dollar Rent-a-Car Systems, Inc.	826
Hayes Leasing Company, Inc. (Avis Licensee)	60
National Car Rental System, Inc.	1,182
Penske Truck Leasing Company	94
U-Haul	746
Totals:	5,941

Table 10. Proportion of Theft Claims Paid Due to Vehicle Theft (1996)

Insurer	Number of Claims	
	All Vehicles	Commercial
Alfa Insurance Companies	(1.4)	
Allstate Insurance Company	(4.6)	
American Family Group	NA	
American International Group (AIG)	NA	
Auto Club of Michigan	NA	
California State Automobile Association	NA	
CNA Insurance Companies	NA	
Commercial Union Assurance Company	NA	
Concord Group Insurance Company	NA	
Erie Insurance Group	(2.0)	
Farmers Insurance Group	NA	
GEICO Corporation Group	71.6	
ITT Hartford	NA	
Liberty Mutual Group	NA	
Nodak Mutual Insurance Company	NA	
Prudential of America Group	75.5	2.1*
Southern Farm Bureau Casualty Ins. Co. (Ark)	NA	
State Farm Insurance Companies	42.8	
Tennessee Farmers Insurance Companies	100.0	
USAA Group	NA	

( ) Vehicle thefts as a percentage of comprehensive claims.
*Commercial = Light Trucks + Heavy Trucks

5.3 Insurance Losses Under Comprehensive Coverage During 1996

Under paragraph (d)(2)(iii) of the NHTSA Reporting Requirements, insurers identified the total payments issued to policyholders during 1996 for claims filed under comprehensive coverage.

The dollar losses under comprehensive coverage are presented by company in Table 11. These losses varied by company ranging anywhere from over 2.2 million to over 2.2 billion dollars. The combined comprehensive losses for the companies reporting this information totaled over 6.1 billion dollars for all vehicles and over 101 million for commercial vehicles. In this latter total, light and heavy truck designations were considered as commercial vehicles.

5.4 Losses Due to Theft

Under paragraphs (d)(2)(iv)(A)(1) and (d)(2)(iv)(A)(2) of the NHTSA Reporting Requirements, insurance companies indicated the total payments issued to policyholders during 1996 as a result of theft and the percentage of all theft loss payments due to thefts of motor vehicles. Rental and leasing companies also indicated the dollar value of losses associated with vehicles stolen from their fleets during 1996 which were not covered by any insurance company.

5.4.1 Insurer Losses Due to Theft

Table 12 identifies reported theft and vehicle theft losses during 1996 by insurance company. The theft losses varied from approximately $173,000 to over $626 million. In total, these companies reported theft losses in excess of $1.4 billion during 1996. Vehicle theft losses accounted for over half of this total loss (over $752 million was due to vehicle theft), which is an underestimate since many companies did not report vehicle theft losses.

5.4.2 Proportion of Theft Losses Due to Vehicle Theft

Table 13 presents the proportion of theft losses attributable to vehicle theft as estimated by each insurance company. These estimates varied between companies with total vehicle theft losses comprising anywhere from 84.2 to 100.0 percent of all theft losses. Relative to total comprehensive losses, total vehicle theft losses range from 5.3 percent to 44.9 percent. (Theft losses as a percent of comprehensive losses ranged from 2.2 to 33.5.)

Table 11. Losses Under Comprehensive Coverage Paid By Reporting Ins. Co. (1996)

Insurer	Comprehensive Losses ($)	
	All Vehicles	Commercial
Alfa Insurance Companies	24,211,514	
Allstate Insurance Company	1,146,759,568	15,060,748*
American Family Group	147,961,314	
American International Group (AIG)	100,682,406	56,230,941
Auto Club of Michigan (MI)	553,108,890	
California State Automobile Association	130,717,908	
CNA Insurance Companies	126,335,846	
Commercial Union Assurance Company	4,774,214	
Concord Group Insurance Company	2,220,813	488,579*
Erie Insurance Group	114,838,468	
Farmers Insurance Group	566,657,500	
GEICO Corporation Group	246,714,411	
ITT Hartford	101,664,000	2,243,465
Liberty Mutual Group	NA	
Nodak Mutual Insurance Company	NA	
Prudential of America Group	159,600,694	8,047,634*
Southern Farm Bureau Casualty Ins. Co. (Ark.)	40,906,212	
State Farm Insurance Company	2,240,881,312	11,423,888
Tennessee Farmers Insurance Companies	26,551,628	8,387,333*
Travelers PC Group	91,544,335	
United Services Automobile Assoc. - USAA Group	291,966,304	
Totals:	6,118,097,337	101,882,588

*Commercial = Light Trucks + Heavy Trucks

Table 12. Theft Losses Paid By Reporting Ins. Co. (1996)

Insurer	Theft Losses ($) - All Vehicles	
	Vehicle Theft	Theft
Alfa Insurance Companies	NA	NA
Allstate Insurance Company	NA	383,952,350
American Family Group	7,768,835	7,810,010
American International Group (AIG)	NA	2,215,044
Auto Club of Michigan	NA	NA
California State Automobile Association	45,629,839	NA
CNA Insurance Companies	NA	27,230,335
Commercial Union Assurance Company	NA	587,520
Concord Group Insurance Company	NA	173,458
Erie Insurance Group	13,780,616	15,140,287
Farmers Insurance Group	NA	62,490,589
GEICO Corporation Group	110,894,780	117,861,037
ITT Hartford	NA	24,510,839
Liberty Mutual Group	NA	NA
Nodak Mutual Insurance Company	NA	NA
Prudential of America Group	41,700,823	43,708,765
Southern Farm Bureau Casualty Ins. Co.	NA	1,966,778*
State Farm Insurance Companies	527,225,047	626,494,622
Tennessee Farmers Insurance Companies	5,285,178	5,285,178
Travelers PC Group	NA	27,547,134
United Services Automobile Assoc.-USAA Group	NA	80,662,966
Totals:	752,285,118	1,427,636,912

*Mississippi only

Table 13. Percentage of Comprehensive and Theft Losses Due to Vehicle Theft (1996)

Insurer	Proportion of Losses (%) - All Vehicles	
	Relative to Total Theft Losses	Relative to Total Comprehensive Losses
Alfa Insurance Companies	99.0	NA
Allstate Insurance Company	NA	NA (33.5)
American Family Group	99.4	5.3
American International Group (AIG)	NA	NA (2.2)
Auto Club of Michigan	NA	NA
California State Automobile Association	NA	34.9
CNA Insurance Companies	NA	NA (21.6)
Commercial Union Assurance Company	NA	NA (12.3)
Concord Group Insurance Company	NA	NA (7.8)
Erie Insurance Group	91.0	12.0
Farmers Insurance Group	NA	NA (11.0)
GEICO Insurance Group	94.1	44.9
ITT Hartford	NA	NA (24.1)
Liberty Mutual Group	NA	NA
Nodak Mutual Insurance Company	NA	NA
Prudential of America Group	95.4	26.1
Southern Farm Bureau Casualty Ins. Co.	NA	NA (10.9*)
State Farm Insurance Companies	84.2	23.5
Tennessee Farmers Insurance Companies	100.0	19.9
Travelers PC Group	NA	NA (30.1)
United Services Automobile Assoc.-USAA Group	NA	NA (27.6)

( ) Theft Losses as a percentage of comprehensive losses.
*Mississippi only

Overall, thefts of motor vehicles were estimated to account for 86.6 percent of the dollars paid for theft losses. This is based on six insurance companies which provided data on both theft and vehicle theft losses. The theft loss total for these six companies was $816,299,899 while the vehicle theft losses amounted to $706,655,279. Assuming this percentage is valid for all sixteen companies reporting theft losses, thefts of motor vehicles are estimated to have cost the reporting companies over $1.21 billion (.866 x 1.4 billion) (Table 12)) in 1996. This represents 19.8 percent (1.21 billion/6.12 billion (Table 11)) of the total comprehensive losses for nineteen reporting companies.

5.4.3 Vehicle Theft Losses Reported by Rental and Leasing Companies

The losses sustained by rental and leasing companies during 1996 as a result of theft was reported by 1 company (Budget Rent-a-Car Corporation) as shown in Table 14. The value reported is the same as that reported in 1995 ($5,470,151).

5.5 Net Losses Due to Vehicle Theft

Under paragraph (d)(2)(iv)(B) of the NHTSA Reporting Requirements, four insurers and two leasing companies specified the net losses sustained during 1996 as a result of vehicle theft. These net losses were: $2,215,044 (American International Group); $14,147,313 (Erie Insurance Group); $4,127,104 (Alfa Insurance Companies); $2,618,143 (CNA Insurance Companies); $113,708 (Dollar Rent-A-Car) and $1,680,970 (National Car Rental). These losses totalled $24,902,282. Relative to 1995, the results are significantly higher for American International and CNA. In the case of American International, the current figure includes both passenger and commercial vehicles whereas in 1995 it only represented passenger vehicles. For CNA, it is unclear from the data received as to the cause of the substantially higher current figure.

5.6 Dollars Recovered by Insurers Through the Sale of Recovered Vehicles and Parts

In response to paragraph (d)(2)(v)(A) of the Reporting Requirements, insurers indicated the total dollars recovered through the sale of recovered vehicles, major parts recovered not attached to the vehicle, or other recovered parts, after having already paid their policyholders.

The amounts recovered during 1996 are presented by insurer in Table 15. These statistics were provided by 14 insurance companies. The individual insurers recovered amounts ranging from $0 to over $33 million.

Companies reporting under this requirement recovered a total of approximately $81.5 million during 1996 through the sale of recovered vehicles and parts.

Table 14. Vehicle Theft Losses ($) Paid By Reporting Leasing Co. (1996)

Insurer	Theft Losses ($)
	All Vehicles
Alamo Rent a Car, Inc.	NA
Budget Rent a Car Corporation	5,470,151[1]
Dollar Rent-a-Car Systems, Inc.	NA
Hayes Leasing Company, Inc. (Avis Licensee)	NA
National Car Rental System, Inc. (Confidential)	NA
Penske Truck Leasing Company	NA
U-Haul	NA
TOTALS	5,470,151

([1]) Represents total theft losses

Table 15. Dollars Recovered by Reporting Co. from Sale of Recovered Vehicles (1996)

Insurer	Amount Recovered ($)	
	All Vehicles	Commercial
Alfa Insurance Companies	453,981	
Allstate Insurance Company	33,539,161	599,850*
American Family Group	5,316,471	
American International Group (AIG)	183,956	153,308
Auto Club of Michigan	NA	
California State Automobile Association	4,681,220	
CNA Insurance Companies	8,240,955	
Commercial Union Assurance Company	0	
Concord Group Insurance Company	2,284	1,264*
Erie Insurance Group	992,974	
Farmers Insurance Group	NA	
GEICO Corporation Group	10,313,173	
ITT Hartford	NA	
Liberty Mutual Group	NA	
Nodak Mutual Insurance Company	NA	
Prudential of America Group	7,957,051	380,337*
Southern Farm Bureau Casualty Ins. Co. (Ark)	88,115	
State Farm Insurance Companies	NA	
Tennessee Farmers Insurance Companies	221,577	62,621*
Travelers PC Group	NA	
United Services Automobile Assoc.-USAA Group	9,518,916	
TOTALS	81,509,834	$1,197,380

*Commercial = Light Trucks + Heavy Trucks

5.7 Proportion of Money Retrieved Which Resulted from Vehicle Thefts

Responding to paragraph (d)(2)(v)(B) of the NHTSA Reporting Requirements, insurers provided estimates of the percentage of all dollars recovered through the sale of recovered vehicles, components or contents in 1996 (provided under paragraph (d)(2)(v)(A)) which were directly attributable to the theft of whole motor vehicles. In addition, the insurers indicated how they arrived at this estimate.

Table 16 presents these estimates by insurance company. The proportion of dollars recovered arising from vehicle thefts was estimated to range anywhere from 7.0 percent to 100 percent of all dollars recovered through the sale of recovered vehicles, contents or components.

The rationale for most of these estimates offered by the insurers included dividing the dollars recovered from vehicle thefts by the dollars recovered from all thefts.

5.8 Comprehensive Claims for High Risk Vehicles

Under paragraph (d)(2)(vii) of the NHTSA Reporting Requirements, insurers were requested to identify the number of comprehensive claims and the amounts paid for vehicles designated as posing a high risk of theft.

As noted in Section 4, almost all of the reporting insurers indicated that they did not specifically designate lines for premium penalties on the basis of theft potential. Only one company, California State Automobile Association, identified high risk vehicles, and also identified the number of claims for these vehicles and the amounts paid during 1996.

The California State Automobile Association considers three categories of high theft risk vehicles. The number of claims and dollar amounts paid during 1996 for each category are as follows:

Category	No. Of Theft Claims	Dollars Paid
High Exposure	6,258	6,668,687
Selected	374	611,252
Limited	27	14,666

Table 16. Proportion of Dollars Retrieved Which Arose From Vehicle Theft (1996)

Insurer	Proportion of Retrieved Dollars	
	All Vehicles	Commercial
Alfa Insurance Companies	7.0	
Allstate Insurance Company	NA	
American Family Group	NA	
American International Group (AIG)	NA	
Auto Club of Michigan (MI)	NA	
California State Automobile Association	81.2	
CNA Insurance Companies	NA	
Commercial Union Assurance Company	NA	
Concord Group Insurance Company	NA	
Erie Insurance Group	100.0	
Farmers Insurance Group	NA	
GEICO Corporation Group	99.5	
ITT Hatford	NA	
Liberty Mutual Group	NA	
Nodak Mutual Insurance Company	NA	
Prudential of America Group	NA	
Southern Farm Bureau Casualty Ins. Co.	NA	
State Farm Insurance Companies	NA	
Tennessee Farmers Insurance Companies	100.0	
Travelers PC Group	NA	
United Services Automobile Assoc.-USAA Group	NA	

AIG claims no thefts involving vehicle types where the companies would charge insurance premium penalties.

Erie Insurance Company and Travelers Property Casualty stated that there is no premium penalty for high risk vehicles. Southern Farm Bureau Casualty Insurance Companies and Alfa Mutual Insurance Company take no action to reduce comprehensive coverage premiums because of a reduction in theft for specific vehicle groupings.

Vehicle rate modifications for GEICO are based on the loss data reported by ISO.

ITT Hartford also adopts the ISO rating. Safeco states that they subscribe to ISO and the Vehicle symbol Rating (VSR) manual and provide ISO with loss data from their database used to determine base premiums for comprehensive coverage and vehicle symbols.

Prudential has not performed any independent analysis of the premium charges for vehicles considered most likely to be stolen.

6. PROGRAMS TO REDUCE COMPREHENSIVE PREMIUMS DURING 1996

This section describes programs undertaken by insurers to reduce comprehensive rates due to a reduction in vehicle thefts. This information was supplied under paragraphs (e) and (f) of the NHTSA Reporting Requirements, and includes:

- Actions taken to reduce rates due to a reduction in motor vehicle thefts (paragraph (e), Section 33112 (c) (D) of Chapter 331).
- The conditions to be met to receive such a rate reduction (paragraph (e)(1), Section 33112 (c) (D) of Chapter 331).
- The number of vehicles and policyholders receiving these rate reductions (paragraph (e)(2), Section 33112 (c) (D) of Chapter 331).
- The difference in average comprehensive premiums between those receiving reductions and those who did not (paragraph (e)(3), Section 33112 (c) (F) of Chapter 331).
- The specific criteria used by the insurer to determine if a vehicle is eligible for a premium reduction if equipped with one or more anti-theft devices (paragraph (f)(1), Section 33112 (c) (F) of Chapter 331).
- The total number of thefts in 1996 of vehicles which received a premium reduction since they were equipped with a qualifying anti-theft device (paragraph (f)(2), Section 33112 (c) (F) of Chapter 331).
- The total number of recovered vehicles which received a premium reduction for an anti-theft device (paragraph (f)(3), Section 33112 (c) (F) of Chapter 331).

These topics are discussed in the sections which follow.

6.1 Insurer Actions to Reduce Comprehensive Rates and the Conditions to Qualify for Rate Reductions

Most of the insurers indicated that they do not employ rating procedures specifically aimed at reducing comprehensive rates for a given motor vehicle line based on a determination that the theft rate for the line has been reduced. Most of the companies indicated that their existing rating procedures would generate lower rates for all passenger cars in a rating territory when comprehensive losses or combined comprehensive and collision losses for the territory are reduced.

Thus, rates are most often lowered when actuarially justified by a reduction in losses without the cause of the loss being specifically considered. It was indicated that while the theft portion of the comprehensive premium is based upon the actual experience of each make and model, it is possible that the theft rate may decrease while the overall comprehensive rate increases due to other losses and changes in the relative value of the vehicle. Since the bulk of physical damage losses arise from the collision coverage, car rating symbols more closely correlate with the collision experience of the vehicles than they do with their theft experience. However, two companies (FIG and CNA) indicated that motor vehicles less likely to be stolen will be "down symbolled", that is, assigned a lower symbol resulting in a lower premium.

Several of the insurers indicated that they employed credits or comprehensive premium discounts or waiver of the comprehensive deductible for passenger cars equipped with some form of theft deterrent (anti-theft) device. These devices or markings include:

- VIN etched on all windows and glass or affixed directly to the vehicle's key metal components.

- An audible alarm.

- A device which will disable the vehicle by making the fuel, ignition or starting system inoperative. Active disabling devices require a separate manual step to engage the device whereas passive disabling devices do not require a separate manual step to be engaged.

To receive a discount on comprehensive coverage premium, the insured must file an application for discount identifying the type of anti-theft device.

6.2 Number of Rate Reductions Issued in 1996

Table 17 identifies the number of vehicles and policyholders which received premium reductions during 1996. Complete information was supplied by five of the companies which issued reductions for vehicles equipped with anti-theft devices.

The information available indicates that 896,659 policyholders and 574,248 vehicles insured by reporting companies received premium reductions during 1996.

6.3 Size of Discounts Offered by Insurers

Most of the companies which offered a discount for vehicles equipped with an anti-theft device offered:

Table 17. Vehicles and Policyholders Receiving Premium Reduction (1996)

Insurer	No. of Vehicles	No. of Policyholders
Alfa Insurance Companies	55,093	55,093
Allstate Insurance Company	NA	NA
American Family Group	17,576	89,649
American International Group (AIG)	99,443	78,215
Auto Club of Michigan	NA	NA
California State Automobile Association	NA	NA
CNA Insurance Companies	NA	NA
Commercial Union Assurance Company	107,292	66,230
Concord Group Insurance Company	NA	NA
Erie Insurance Group	NA	NA
Farmers Insurance Group	NA	348,895
GEICO Corporation Group	NA	NA
ITT Hartford	294,844	263,577
Liberty Mutual Group	NA	NA
Nodak Mutual Insurance Company	NA	NA
Prudential of America Group	NA	NA
Southern Farm Bureau Casualty Ins. Co.	NA	NA
State Farm Insurance Companies	NA	NA
Tennessee Farmers Insurance Companies	NA	NA
Travelers PC Group	NA	NA
United Services Automobile Assoc.-USAA Group	NA	NA
TOTALS	574,248	896,659

- 5 percent discounts for vehicles equipped with an alarm or active disabling devices.
- 10-15 percent discounts for passive disabling devices.
- 5 percent discount for window identification system.
- 15 percent discount with vehicle recovery system.
- 5 percent discount for the Combat Auto Theft (CAT) Program.
- 25 percent discount for VATS or Pass Key Device.

In instances when a vehicle is equipped with more than one qualifying device, most companies applied the highest single eligible discount. Premium differences can vary from state-to-state.

Table 18 presents company wide differences in premiums for policyholders with and without rate reductions.

6.4 Eligibility Criteria for Anti-Theft Rate Reductions

Fourteen companies reported offering a reduction in rates for automobile comprehensive coverage to policyholders for vehicles equipped with certain theft deterrent devices.

Three of the insurers indicated that these reductions were not voluntary and were offered only in states in which they were required by law such as Michigan. State Farm cited discounts in thirteen such states. Geico offers discounts in 46 states.

Table 18. Difference in Comprehensive Premiums Between Policyholders With and Without Rate Reductions (1996)

Insurer	Premium Difference in Dollars	Premium Difference in Percent
Alfa Insurance Companies	NA	10.0
Allstate Insurance Company	NA	NA
American Family Group	NA	NA
American International Group (AIG)	1,906	NA
Auto Club of Michigan	NA	NA
California State Automobile Association	NA	NA
CNA Insurance Companies	NA	5-15
Commercial Union Assurance Company	11-15	NA
Concord Group Insurance Company	NA	NA
Erie Insurance Group	NA	NA
Farmers Insurance Group	43	NA
GEICO Corporation Group	NA	NA
ITT Hartford	NA	NA
Liberty Mutual Group	NA	NA
Nodak Mutual Insurance Company	NA	NA
Prudential of America Group	NA	NA
Southern Farm Bureau Casualty Ins. Co.	NA	NA
State Farm Insurance Companies	NA	NA
Tennessee Farmers Insurance Companies	NA	NA
United Services Automobile Assoc.-USAA Group	NA	NA

A variety of hood and ignition locks, alarms, passive or active disabling devices, and fuel or ignition cut-off systems were cited by the insurers as qualifying for the discount. Typical devices cited by the insurers for this purpose are identified in Table 19.

6.5 Thefts and Recoveries of Vehicles With Anti-Theft Devices

Nine of the insurers identified the number of claims filed during 1996 for stolen vehicles subject to a premium reduction for an installed anti-theft device. Recovery information for these vehicles was provided by six of the insurers.

This theft and recovery information is presented in Table 20. A total of 94,881 thefts of vehicles with anti-theft devices were reported by these insurers in 1996. Recovery rates varied from 1.0 to 12.9 percent.

Table 19. Typical Devices Qualifying for Anti-Theft Credits

- Hood lock releasable only from inside the vehicle or electrically operated or armored cable.
- An ignition or starter cut-off switch.
- A non-passive or passive operated alarm.
- Alarm activated by door.
- A non-passive or passive disabling device.
- A passive alarm system which includes a motion detection device which cannot be disarmed independently from the remainder of the system.
- A non-passive externally or internally operated alarm.
- A high security ignition replacement lock.
- A passive or non-passive fuel cut-off system which requires the driver to trip a switch to open the fuel line each time the car is started.
- A passive ignition cut-off system which disables one or more components such that the engine cannot be started or hot wired, or a passive ignition lock protective system.
- Active or passive devices that disable the vehicle so that fuel, ignition or starting systems are inoperable.
- VIN etched on all windows and on or near front and rear bumpers.
- Window identification system.
- Non-passive steering wheel lock or removal lock.
- Vehicle recovery system device.
- Passive collar or shield.
- Passive time delay ignition system.
- Combat Auto Theft (CAT) program.
- VATS or Pass Key Device.
- Emergency or hydraulic handbrake lock.
- Car transmission lock.
- Military installation garaging.
- Door, hood or trunk sensor.
- Anti-hot-wiring circuit.

- An alarm device which sounds an audible alarm that can be heard at a distance of at least 200 feet or at least 2-3 minutes.

- Glass sensor, vibration sensor, motion sensor, or ultrasonic sensor.

- Participation in an Anti-Theft Program.

Note: Not all devices are recognized by all companies which offer anti-theft device credits.

Table 20. Thefts and Recoveries of Vehicles Receiving Anti-Theft Discounts (1996)

Insurer	Number Stolen	Number Recovered	Percent Recovered
Alfa Insurance Companies	NA	NA	NA
Allstate Insurance Company	71,227	3,880	5.4
American Family Group	5,995	59	1.0
American International Group (AIG)	NICB	NICB	NA
Auto Club of Michigan	NA	NA	NA
California State Automobile Association	NA	NA	NA
CNA Insurance Companies	1,316	NA	NA
Commercial Union Assurance Company	NA	NA	NA
Concord Group Insurance Company	NA	NA	NA
Erie Insurance Group	150	150	NA
Farmers Insurance Group	1,466	NA	NA
GEICO Corporation Group	6,607	642***	1.0
ITT Hartford	NA	NA	NA
Liberty Mutual Group	NA	NA	NA
Nodak Mutual Insurance Company	NA	NA	NA
Prudential of America Group	904	1,133	**
Southern Farm Bureau Casualty Ins. Co.	NA	NA	NA
State Farm Insurance Companies	*	NA	NA
Tennessee Farmers Insurance Companies	NA	NA	NA
Travelers PC Group	280	NA	NA
United Services Automobile Assoc.-USAA Group	6,936	895	12.9
TOTALS	94,881	6,759	

*Thefts were reported in a frequency per 1000 policies for 10 states.
**Recoveries in 1996 may have included vehicles stolen in previous years.
***GEICO claims remainder of stolen vehicles "recovered unknown"

7. INSURER ACTIONS TO ENCOURAGE REDUCTIONS IN VEHICLE THEFTS DURING 1996

This section describes actions taken by insurance, rental and leasing companies to encourage a reduction in motor vehicle theft. It also describes company policies regarding the use of used parts and precautions taken to identify the origin of used parts.

7.1 Actions to Assist Reduction in Vehicle Thefts

Under paragraph (g)(1) of the Reporting Requirements, insurers identified a variety of actions taken to assist in deterring or reducing thefts of motor vehicles. Insurers also identified why they believed these actions would be effective.

Actions cited by insurance companies to deter or reduce thefts include:

1) Membership in organizations such as the National Insurance Crime Bureau (NICB). This includes financial support, and the exchange of information on stolen vehicles. Insurers use the services of the NICB to help identify fraudulent claims and track the Vehicle Identification Number (VIN) of stolen vehicles. This information is used to inhibit efforts to unlawfully resell, retitle and reinsure a stolen vehicle.

2) Providing incentives to policyholders to promote use of theft deterrent techniques to reduce vehicle theft. These incentives include rate reductions for vehicles equipped with anti-theft devices and programs providing free VIN etching on glass and other parts. Part etching is intended to reduce the ease that a stolen vehicle or its parts can be sold. Several companies specifically mentioned VIN etching.

3) Providing and advertising cash reward programs for information which leads to the arrest and conviction of motor vehicle thieves. This policy has been found by one of the insurers to be particularly effective in rural areas. Insurers also present awards to individuals who excel in efforts to deter thefts and enhance recoveries. These awards encourage further efforts in these activities.

4) State Farm has encouraged legislation to permit the retirement of motor vehicle titles, and the disposal of salvage by bill of sale, in those cases in which the salvage cannot, or should not, be rebuilt. State Farm believes that the retirement of titles would diminish the potential for VIN switches and resale of stolen motor vehicles. State Farm participates in several organizations which are dedicated to reducing motor vehicle theft. Participation includes the exchange of ideas and information, development of policies and procedures which inhibit traffic in stolen parts, and the education of their investigators as to theft investigation techniques. On a limited basis, State Farm has made vehicles available to recognized law enforcement and investigative bodies for use in undercover theft investigation. They believe such action is needed in order to support the efforts of those officials whose purpose it is to break up theft rings and fencing

operations which deal in stolen vehicle parts.

5) American Family encourages personnel participation in various industry organizations dedicated to combating vehicle theft and other insurance fraud, i.e. the Vehicle Theft Task Force and the Wisconsin Interstate Fraud Network. This type of activity is promoted and encouraged as a means of maintaining dialogue with other members of the insurance industry dedicated to eliminating such fraudulent, felonious practices.

6) California State Automobile Association (CSAA) published articles concerning auto theft prevention in the CSAA magazine, VIA. They believe that public awareness is the most effective means of prevention. A VIN etching program is being offered to members. Members in the San Francisco Bay Area who own select automobiles will be able to have the vehicles' VIN number etched on all windows as a deterrent to theft. CSAA has implemented the necessary software needed to participate in the NICB VIN Assist Program, which checks the VIN number to determine if the recovered vehicle is the one described by that VIN number. CSAA exchanges information with and assists law enforcement agencies at every opportunity; presenting awards to those officers who excel in their efforts to deter thefts and enhance recovery. CSAA feels that a cooperative effort between the insurance industry and law enforcement is a key factor in prevention and recovery. CSAA is a member of the NICB which is most effective in their efforts to prevent thefts and affect recovery. CSAA exchanges data electronically with NICB on a daily basis.

7) In legislative areas, the Erie Insurance Company has been working with state programs such as the Auto Theft Prevention Authority in Pennsylvania as created by Act 171. In addition, the Erie regularly provides substantive information to its policyholders, agents, and employees concerning auto theft awareness and prevention through numerous publications disseminated throughout the year. Erie is a member of the NICB.

8) Farmers Insurance Group is involved in the following activities: participation in anti-theft activities such as HEAT (Help Eliminate Auto Theft) program. This program provides a 24-hour hotline where people may report the theft of motor vehicles and may receive a reward. Assistance to local law enforcement agencies on the prosecution of fraud cases has also helped reduce automobile theft problems. Farmers Insurance Group is an active member of the NICB. They cooperate with the NICB and law enforcement agencies on the investigation of both single thefts and organized theft rings. They have supplied salvage vehicles for "sting" operations which have resulted in the breakup of theft rings and chop shops. They also report every theft and salvage recovery to them to assist them with their theft prevention activities.

9) GEICO's actions: NICB provides a centralized data base for the insurance industry to aid in detecting theft patterns, theft "rings" and compiling data helpful for deterring future thefts; <u>SIU's</u> - Special Investigation Units in GEICO's five regional offices are assigned suspicious total theft claims for investigation; <u>ACT Groups</u> - GEICO supports

various anti-car theft groups and the AVP of claims in the New York area is the Chairman of the NY/NJ Act Committee and the claims AVP in Washington is Chairman of the D.C.-Maryland-Virginia IMPACT (Industry Merged with Police Against Car Theft) Committee. GEICO has contributed both financially and with technical advice to various police jurisdictions for theft awareness programs and GEICO belongs to the National Insurance Crime Bureau (NICB).

10) The Prudential of America Group's claims department is "after the fact" and has little ability to reduce or deter motor vehicle theft. However, with the assistance of their Special Investigation Unit, claims representatives are trained in identifying the "red flags" of fraud.

11) Travelers works closely with the Insurance Fraud Bureau and local, state and national law enforcement agencies to report and prosecute fraud in auto theft. Travelers established a Special Investigative Unit (SIU) to investigate fraud. Travelers claim and underwriting personnel are encouraged to participate in seminars, so they can obtain information and ideas to pass along to their policy holders to prevent vehicle theft.

12) Southern Farm Bureau has established a cash reward program for information leading to arrest and conviction of persons committing theft from a Farm Bureau member's residence. This reward is advertised in company and local newspapers as well as on signs posted on the premises. The company feels this practice has been particularly effective in rural areas. Southern Farm Bureau requires all theft losses to be reported to the local law enforcement. They conduct a thorough investigation of each loss. They also follow up with the local law enforcement to see what progress is made on the case, and to encourage them to conduct a full investigation. They feel this requirement may deter some theft losses because people are aware that the thefts are being reported to the authorities and a thorough investigation will be conducted. SFB periodically mails policyholders safety hints and tips on reducing the possibilities of theft and personal property, including automobiles.

13) United Services Automobile Association publishes "Home and Auto Security," which provides specific methods on how to reduce the likelihood of auto theft.

14) Actions taken by the Liberty Mutual Group include: the installation of anti-theft devices through premium discounts, policyholder education through our policyholder newsletter and public advertising, donations of Lojack tracking devices to state and local law enforcement, donations and other support to federal, state and local law enforcement agencies, member of NICB, and legislative positions taken on anti-auto theft measures.

15) Through CNA's underwriting and claim operations, they participate with several anti-car theft committees and law enforcement agencies in public awareness and education programs concerning the problem of vehicle thefts. CNA strongly supports Motor Vehicle Theft Prevention Councils and has loaned vehicles to multi-jurisdictional task

force operations who proactively investigate individuals involved in organized motor vehicle theft activities. These councils also provide statewide public awareness and education programs to encourage drivers to be aware of methods they can use to reduce the chance of their vehicle being stolen. CNA established a Special Investigations Unit (SIU). The public's knowledge that a Special Investigations Unit actively participates in claim investigations is a deterrent to those engaged in fraudulent activities. CNA's Investigators individually belong to professional associations and groups whose purpose is to educate investigators and prevent criminal activity. They also frequently meet with corporate insureds to promote fraud awareness and to train select employees in avoiding circumstances that might lead to the perpetration of a fraudulent claim. The CNA Investigations Staff frequently make fraud awareness presentations at industry fraud symposiums. A quarterly CNA Newsletter is published for CNA personnel, insureds and agents. An SIU "Let's Fight Fraud Together" Kit has been published and distributed which provides valuable information about the CNA investigations and its anti-fraud campaign. Judicious and proper use of the legal system to sustain claim denials acts as a deterrent to those who may not want to go "public" with their claim.

16) AAA Michigan has been active in a number of anti-theft programs over the years: theft reward programs; special auto theft unit with 18 professionals plus support staff investigates all suspicious thefts in Michigan; loaner vehicles for federal, state and local law enforcement undercover and sting efforts; staff assistance to law enforcement in theft investigations; expert witness testimony in court cases; extensive public awareness programs; co-founder and active participation in A.C.T. statewide inter-industry committee; extensive lobbying efforts for anti-theft legislation; one of seven members of Governor's Automobile Theft Prevention Authority which is responsible for annual allocation of over $5.5 million in funds for auto theft programs and education programs for law enforcement officials.

Actions cited by rental and leasing companies to deter or reduce motor vehicle thefts include:

- Budget Rent-a-Car Corporation ensures that appropriate vehicles are leaving the rental lot; fences and gates and other security devices are used at certain locations to control entrances and exits; rules are enforced to allow only approved company employees access to vehicles for use outside the rental lots; comprehensive title control policies are enforced; weekly physical inventories are performed and reconciled; reports regarding conversion and theft are monitored; rules are enforced at rental counters in order to prevent fraudulent use of credit.

- The following actions are taken by Dollar Rent-a-Car Systems to reduce or deter theft: 1) Installation of Tiger Teeth-reduces the unauthorized removal of vehicles through unsupervised routes. 2) Installation of Steadfast Ignition Switch Collars-prevents steering column tampering. 3) Installation of Kill switch used on vehicles that the Steadfast Collar will not fit. If steering column is tampered with, it prevents engine from starting. 4) Improved lighting deters theft by illuminating the area where vehicles are stored when not in use. 5) Hiring of security guards. 6) Purchase of Security Alarm Package at time vehicle is ordered-available on more costly vehicles only in high theft rate areas.

- National Car Rental System, Inc. attempts to verify all rental customers by requiring a valid credit card and a driver's license. If the customer wants to pay by cash rather than by credit card, he/she must meet specified qualifications such as having a residence for one year, verified employment, and make a reasonable deposit at the time of rental. The customer must also have a valid driver's license at the time of cash qualification. National researches a vehicle which is past its expected return date if the customer has not made arrangements to extend his/her rental. They attempt to locate the customer and determine the return date of the vehicle. They will not allow a vehicle to be rented for longer than 30 days. If a customer wishes to rent for an additional period of time, he/she must return the car to the rental location and re-rent the car. National requires most of their lots to be fenced in by a six-foot fence with attached barbed wire. In the majority of the cities, they have controlled entrances with tiger teeth, and controlled exits with a guard on duty. The guard's responsibility is to verify that the person driving the vehicle is authorized to do so, and is carrying the proper documentation. In their major cities they have installed auto-theft devices such as ignition systems and column locks.

- The U-Haul System is unable to control the environment in which these vehicles operate, and particularly is unable to provide security for the vehicles. The System does maintain training programs for new and current employees which includes instruction in theft prevention. The System exchanges information internally and maintains contact with experts in the field of motor vehicle theft in order to evaluate all potential systems and methods of security to determine those which are economical and effective for their operating environment.

7.2 Policy Regarding Used Parts

Under paragraphs (g)(2)(i) and (g)(2)(ii) of the NHTSA Reporting Requirements, insurance, rental and leasing companies identified their policies in regard to the use of used parts and the precautions taken to identify the origin of used parts.

Fifteen insurance companies specified their policies towards the use of used and after market parts to repair damaged vehicles during 1996. Most of these companies indicated that they allow and promote the use of like kind and quality used parts when feasible to reduce repair costs and/or expedite completion of the repairs while assuring the insured's satisfaction. Some of these companies applied this restriction only to sheet metal parts. For some companies, used parts are used if they are fully documented in accordance with state law or through their own adjusting company or established independent adjusting companies, such as the certified Automotive Parts Association, or if the repair agencies can determine the origin of these parts.

Used parts are to be employed where practical and available, but are not recommended for vehicle suspension, running gear, or any parts that would adversely affect the safe operation of the vehicle.

Some companies indicated that they do not recommend use of like kind and quality used parts on repairs of current model year and one year old vehicles or vehicles which have less than 15,000 miles.

Most of the responding insurers indicated that they dealt only with reputable repair agencies, used part dealers, licensed salvage dealers, body shops and parts suppliers that they trust through past experience. However, some companies have no precautions in place that would identify the origin of a salvage part.

Some insurers also had a corporate policy to encourage their claim representatives, staff and independent appraisers to make every effort to identify the recycler from whom parts are acquired and to work closely with repair agencies to determine the origin of used parts. If an appraiser has reason to question the origin of a part used to repair a vehicle, the appraiser is encouraged to refer the matter to their investigative services section for a full and complete investigation.

In one company, it is the responsibility of management personnel to monitor pool sales and auctions to determine which buyers actively bid for salvage which will be dismantled for parts. Appraisers are furnished lists of recyclers who should have an adequate supply of legitimate used parts available. Appraisers are instructed to generally contact these recyclers or use the appropriate automated vendor product when searching for used parts.

8. CONCLUSIONS AND RECOMMENDATIONS

Motor vehicle theft continued to be a major cause of insurer comprehensive losses during 1996. While thefts represented approximately 6 percent of all comprehensive claims paid by major insurers (Section 5.1), they accounted for 19.8 percent of insurer's comprehensive losses (Section 5.4.2). Thus, 16 of the country's largest insurers received 435,244 claims for the theft of a vehicle or its contents during 1996 (Table 8). Payments for these claims totaled over $1.42 billion (Table 12).

Over 105,861 vehicles produced during model years 1993-1997 (and insured by 17 major insurers) were reported as stolen during 1996 (Table 5). Of these, 20,526 or 19.4 percent were recovered (Table 5).

Eighty-four percent of these stolen vehicles were either not recovered in 1996 or were recovered with major vehicle components missing (Table 5). Starting with model year 1987 vehicles, these components are uniquely marked on lines with high theft rates as required by the Motor Vehicle Theft Law Enforcement Act of 1984. This parts-marking is intended to increase arrests and convictions of auto thieves and deter vehicle theft.

Another goal of the legislation is to induce lower insurance premiums for comprehensive coverage by reducing insurers' vehicle theft losses. The 1996 insurer reports indicate that 16 companies issued over $1.42 billion in claim payments for the theft of a motor vehicle or its contents (Table 12).

Most of the insurers that reported do not assess any surcharge or premium penalty to insure vehicles with high theft rates. In most cases, they do not employ rating procedures specifically aimed at changing comprehensive rates for a given motor vehicle line based on a determination that the theft rate for the line has changed. Many of the companies indicated that their existing rating procedures would generate lower rates for all passenger cars in a rating territory when total comprehensive losses or combined comprehensive and collision losses for the territory are reduced.

Thus, in many instances, the potential benefits of parts marking in reducing insurer theft losses for affected lines, will be dispersed to provide lower insurance premiums for other lines as well. These reductions in premiums could only be expected to occur to the extent that reductions in theft losses are not offset by changes in other losses insured under comprehensive coverage.

9. SUMMARY OF ANNUAL REPORTS

The Annual Insurer Reports indicate that, in 1996, as in 1995, passenger cars accounted for 60.2 percent of the stolen vehicles. Multi-purpose vehicles accounted for 21.2 percent of motor vehicle thefts, while light trucks accounted for 14.3 percent (Table 5). The remaining 5.0 percent of stolen vehicles were heavy trucks together with motorcycles.

The estimated recovery rate of stolen vehicles in 1996 is significantly less than that for 1995, 19.4 percent in 1996 (Table 5) versus 31 percent in 1995. Although recovery rates have been steadily dropping since 1989, this represents the largest drop in recovery rate over a single year.

Data from five companies, Allstate, American Family, Erie, GEICO, and USAA, indicates that for these companies, 6.2 percent of stolen vehicles with anti-theft devices were recovered in 1996 (Table 20). This is significantly lower than the overall recovery rate for stolen vehicles of 19.4 percent.

Procedures and rating characteristics used by insurers to establish comprehensive premiums during 1996 were very similar to those documented by the insurers in previous years. In fact, insurer responses to many of the reporting requirements vary very little each year. However, the level of insurer compliance with the reporting requirements varies substantially among insurers. Although there are 28 reporting requirements for each insurer, individual insurers provided data for as little as 1 and as many as 27 of these requirements. In some of the cases where insurers did not supply the requested information, they indicated that the data was either not available or does not apply to their operation (Table 4).

Table 21 presents the number of thefts of passenger and non-passenger vehicles up to 4 years in age reported by participating insurers for 1987 through 1996. Non-passenger cars include light trucks, heavy trucks, MPV's and motorcycles. This data was furnished on behalf of participating insurers by the National Insurance Crime Bureau (NICB) and the Insurance Services Office (ISO).

It is difficult to determine trends in vehicle thefts over time from this information since:

- the number of insurers subject to the annual insurer reporting requirements differs from year to year
- the mix of insurers subject to the requirements who fully respond to the requirements differs each year

Table 21. Number of Reported Vehicle Thefts for Vehicles Up to 4 Years in Age

Year	Passenger Cars	Non Passenger Cars	Total
1987	87,592	27,066	114,658
1988	38,152	19,564	57,716
1989	96,480	42,331	138,811
1990	75,761	34,524	110,285
1991	74,033	44,129	118,162
1992	60,569	40,298	100,867
1993	55,282	35,778	91,060
1994	52,385	34,063	86,448
1995	52,389	34,604	86,993
1996	63,705	42,156	105,861

These factors are less significant in discerning trends over time for the *percentage of recovered* stolen vehicles than for the *number* of stolen vehicles. The percentage of recovered vehicles up to 4 years in age reported for 1987 through 1996 is presented in Table 22 for passenger cars, and Table 23 for non-passenger cars.

Table 22. Percent Recoveries of Passenger Cars and their Condition

Year	% of All Recovered Vehicles			Total No. of Recovered Vehicles	% of Passenger Cars Recovered
	Intact	In-Whole	In-Part		
1987	17.2	67.1	15.6	63,053	72.0
1988	15.8	73.6	10.7	19,067	50.0
1989	13.7	77.0	9.4	66,300	68.7
1990	12.4	78.2	9.4	48,700	64.3
1991	13.0	73.8	13.2	41,550	56.1
1992	14.1	70.8	15.1	31,170	51.5
1993	15.2	70.9	14.0	25,827	46.7
1994	15.2	70.8	14.0	19,325	36.9
1995	15.4	71.8	12.8	16,576	31.6
1996	21.9	62.9	15.2	12,758	20.0

Table 23. Percent Recoveries of Non-Passenger Cars and their Condition

Year	% of All Recovered Vehicles			Total No. of Recovered Vehicles	% of Non-Passenger Cars Recovered
	Intact	In-Whole	In-Part		
1987	22.5	59.5	18.0	16,265	60.1
1988	21.1	63.7	15.1	6,866	35.1
1989	16.2	71.1	12.6	25,977	61.4
1990	12.6	75.3	12.1	20,543	59.5
1991	10.1	73.5	16.4	23,831	54.0
1992	11.2	69.2	19.6	20,518	50.9
1993	12.6	68.9	18.5	16,643	46.5
1994	14.6	68.0	17.4	12,132	35.6
1995	14.8	69.5	15.7	10,755	31.1
1996	22.2	60.1	17.7	7,768	18.4

Since 1989, percentage recoveries for both passenger and non-passenger vehicles has been steadily decreasing and is now less than one-third what it was in 1989. The recovery percentages for passenger vehicles are higher than for non-passenger vehicles, for all years shown, however, the difference has decreased from a high of 15 percent to a current difference of less than two percent (Tables 22-23). This two percent or less difference has now been maintained for the past six years.

Table 24 provides the total number of claims and their dollar amounts due to the theft of a motor vehicle (of any age) or its contents for 1987 through 1996.

Table 24. Theft Claims (Including Contents) and Losses for all Vehicles Regardless of Age

Year	Number of Theft Claims	Total Theft Losses
1987	641,202	$1,198,765,423
1988	647,060	$1,381,440,443
1989	617,818	$1,313,950,161
1990	615,438	$1,347,438,803
1991	549,437	$1,331,424,241
1992	505,008	$1,239,233,989
1993	494,300	$1,341,437,721
1994	459,351	$1,321,521,578
1995	424,227	$1,286,777,947
1996	435,244	$1,427,636,912

Again, differences in the set of insurers providing this information each year make it difficult to compare data across years and ascertain trends in theft and loss patterns with confidence. Overall, the data suggest that the number of claims experienced by reporting insurers due to the theft of a motor vehicle or its contents has been steadily decreasing from 1987 through 1995 with a slight *increase* in these claims between 1995 and 1996 (Table 24). Correspondingly, the total theft losses have increased over 1995. The number of theft claims decreased by 2.1 percent from 1992 to 1993 while the total theft losses increased by 8.2 percent over this same period. This suggests that the average theft claim was more costly in 1993 than in 1992. From 1993 to 1994, the number of theft claims dropped 7.1 percent while the total theft losses decreased by only 1.5 percent, and from 1994 to 1995 theft claims dropped an additional 7.6 percent while theft losses decreased by 2.6 percent. The1996 data shows a 2.6 percent <u>increase</u> in thefts and a 10.9 percent <u>increase</u> in losses versus 1995. These results imply that the average theft loss per vehicle is increasing.

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